UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014 OR

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

For the transition period from to

Commission File Number 000-19514

Gulfport Energy Corporation

(Exact Name of Registrant As Specified in Its Charter)

Delaware	**73-1521290**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification Number)**
14313 North May Avenue, Suite 100 Oklahoma City, Oklahoma	**73134**
(Address of Principal Executive Offices)	**(Zip Code)**

(405) 848-8807

(Registrant Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	**The NASDAQ Stock Market LLC**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large Accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

As of November 1, 2014, 85,531,504 shares of the registrant’s common stock were outstanding.

GULFPORT ENERGY CORPORATION
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GULFPORT ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2014	December 31, 2013
	(In thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 152,883	$ 458,956
Accounts receivable—oil and gas	139,591	58,824
Accounts receivable—related parties	153	2,617
Prepaid expenses and other current assets	3,578	2,581
Deferred tax asset	7,819	6,927
Short-term derivative instruments	5,753	324
Note receivable - related party	875	875
Total current assets	310,652	531,104
Property and equipment:		
Oil and natural gas properties, full-cost accounting, $1,452,730 and $950,590 excluded from amortization in 2014 and 2013, respectively	3,586,016	2,477,178
Other property and equipment	16,880	11,131
Accumulated depletion, depreciation, amortization and impairment	(969,962)	(784,717)
Property and equipment, net	2,632,934	1,703,592
Other assets:		
Equity investments ($70,443 and $178,708 attributable to fair value option in 2014 and 2013, respectively)	373,215	440,068
Derivative instruments	1,156	521
Other assets	23,430	17,851
Total other assets	397,801	458,440
Total assets	$ 3,341,387	$ 2,693,136
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 358,082	$ 190,707
Asset retirement obligation—current	75	795
Short-term derivative instruments	3,891	12,280
Current maturities of long-term debt	166	159
Total current liabilities	362,214	203,941
Long-term derivative instrument	2,771	11,366
Asset retirement obligation—long-term	16,318	14,288
Deferred tax liability	153,733	114,275
Long-term debt, net of current maturities	616,881	299,028
Total liabilities	1,151,917	642,898
Commitments and contingencies (Note 8)		
Preferred stock, $.01 par value; 5,000,000 authorized, 30,000 authorized as redeemable 12% cumulative preferred stock, Series A; 0 issued and outstanding	—	—
Stockholders' equity:		
Common stock - $.01 par value, 200,000,000 authorized, 85,531,504 issued and outstanding in 2014 and 85,177,532 in 2013	854	851
Paid-in capital	1,824,955	1,813,058
Accumulated other comprehensive loss	(19,779)	(9,781)
Retained earnings	383,440	246,110
Total stockholders' equity	2,189,470	2,050,238
Total liabilities and stockholders' equity	$ 3,341,387	$ 2,693,136

See accompanying notes to consolidated financial statements.

GULFPORT ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(In thousands, except share data)			
Revenues:				
Oil and condensate sales	$ 58,196	$ 52,972	$ 199,651	$ 167,051
Gas sales	85,168	10,755	139,039	19,014
Natural gas liquid sales	27,021	5,100	64,054	7,828
Other income	419	425	825	793
	170,804	69,252	403,569	194,686
Costs and expenses:				
Lease operating expenses	11,883	7,297	36,192	18,347
Production taxes	5,213	7,071	18,771	20,381
Midstream processing and marketing	18,714	3,622	37,263	5,940
Depreciation, depletion and amortization	72,409	30,691	185,280	81,814
General and administrative	8,939	5,259	28,832	14,571
Accretion expense	192	180	569	529
(Gain) loss on sale of assets	—	(5)	(11)	567
	117,350	54,115	306,896	142,149
INCOME FROM OPERATIONS	53,454	15,137	96,673	52,537
OTHER (INCOME) EXPENSE:				
Interest expense	5,706	2,602	11,993	9,365
Interest income	(25)	(70)	(167)	(211)
Litigation settlement	1,500	—	25,500	—
Loss (income) from equity method investments	34,477	(51,322)	(163,567)	(162,640)
	41,658	(48,790)	(126,241)	(153,486)
INCOME BEFORE INCOME TAXES	11,796	63,927	222,914	206,023
INCOME TAX EXPENSE	4,876	23,400	85,584	77,109
NET INCOME	$ 6,920	$ 40,527	$ 137,330	$ 128,914
NET INCOME PER COMMON SHARE:				
Basic	$ 0.08	$ 0.52	$ 1.61	$ 1.70
Diluted	$ 0.08	$ 0.52	$ 1.60	$ 1.69
Weighted average common shares outstanding—Basic	85,506,095	77,554,386	85,405,630	75,955,040
Weighted average common shares outstanding—Diluted	85,907,307	77,931,738	85,790,433	76,374,107

See accompanying notes to consolidated financial statements.

GULFPORT ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Net income	$ 6,920	$ 40,527	$ 137,330	$ 128,914
Foreign currency translation adjustment	(9,536)	3,894	(9,998)	(5,786)
Change in fair value of derivative instruments (1)	—	630	—	(444)
Reclassification of settled contracts (2)	—	1,617	—	4,818
Other comprehensive (loss) income	(9,536)	6,141	(9,998)	(1,412)
Comprehensive (loss) income	$ (2,616)	$ 46,668	$ 127,332	$ 127,502

(1) Net of $0.4 million and $(0.3) million in taxes for the three and nine months ended September 30, 2013, respectively. No taxes were recorded in the three and nine months ended September 30, 2014.

(2) Net of $1.0 million and $3.0 million in taxes for the three and nine months ended September 30, 2013, respectively. No taxes were recorded in the three and nine months ended September 30, 2014.

See accompanying notes to consolidated financial statements.

GULFPORT ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Paid-in	Accumulated Other Comprehensive	Retained	Total Stockholders'
	Shares	Amount	Capital	Loss	Earnings	Equity
	(In thousands, except share data)					
Balance at January 1, 2014	85,177,532	$ 851	$ 1,813,058	$ (9,781)	$ 246,110	$ 2,050,238
Net income	—	—	—	—	137,330	137,330
Other Comprehensive Loss	—	—	—	(9,998)	—	(9,998)
Stock Compensation	—	—	11,246	—	—	11,246
Issuance of Restricted Stock	159,064	1	(1)	—	—	—
Issuance of Common Stock through exercise of options	194,908	2	652	—	—	654
Balance at September 30, 2014	85,531,504	$ 854	$ 1,824,955	$ (19,779)	$ 383,440	$ 2,189,470
Balance at January 1, 2013	67,527,386	$ 674	$ 1,036,245	$ (3,429)	$ 92,918	$ 1,126,408
Net income	—	—	—	—	128,914	128,914
Other Comprehensive Loss	—	—	—	(1,412)	—	(1,412)
Stock Compensation	—	—	4,619	—	—	4,619
Issuance of Common Stock in public offerings, net of related expenses	9,812,500	99	357,541	—	—	357,640
Issuance of Restricted Stock	119,519	1	(1)	—	—	—
Issuance of Common Stock through exercise of options	125,000	1	1,399	—	—	1,400
Balance at September 30, 2013	77,584,405	$ 775	$ 1,399,803	$ (4,841)	$ 221,832	$ 1,617,569

See accompanying notes to consolidated financial statements.

GULFPORT ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
	2014	**2013**
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 137,330	$ 128,914
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion of discount—Asset Retirement Obligation	569	529
Depletion, depreciation and amortization	185,280	81,814
Stock-based compensation expense	6,747	2,771
Gain from equity investments	(78,304)	(162,265)
Interest income - note receivable	(38)	(13)
Unrealized (gain) loss on derivative instruments	(23,049)	1,311
Deferred income tax expense	38,566	77,107
Amortization of loan commitment fees	1,093	750
Amortization of note discount and premium	(13)	221
Changes in operating assets and liabilities:		
Increase in accounts receivable	(80,767)	(22,058)
Decrease in accounts receivable—related party	2,464	5,051
Increase in prepaid expenses	(997)	(3,128)
Increase in accounts payable and accrued liabilities	101,990	30,833
Settlement of asset retirement obligation	(4,972)	(807)
Net cash provided by operating activities	285,899	141,030
Cash flows from investing activities:		
Deductions to cash held in escrow	8	8
Additions to other property and equipment	(3,937)	(1,502)
Additions to oil and gas properties	(1,040,607)	(608,270)
Proceeds from sale of oil and gas properties	4,198	—
Proceeds from sale of investments	197,565	74,544
Advances on note receivable to related party	—	(875)
Contributions to equity method investments	(61,750)	(34,936)
Distributions from equity method investments	476	203
Net cash used in investing activities	(904,047)	(570,828)
Cash flows from financing activities:		
Principal payments on borrowings	(115,126)	(111)
Borrowings on line of credit	115,000	—
Proceeds from bond issuance	318,000	—
Debt issuance costs and loan commitment fees	(6,453)	(753)
Proceeds from issuance of common stock, net of offering costs and exercise of stock options	654	359,040
Net cash provided by financing activities	312,075	358,176
Net decrease in cash and cash equivalents	(306,073)	(71,622)
Cash and cash equivalents at beginning of period	458,956	167,088
Cash and cash equivalents at end of period	$ 152,883	$ 95,466
Supplemental disclosure of cash flow information:		
Interest payments	$ 11,930	$ 12,618
Income tax payments	$ 23,800	$ 2,751
Supplemental disclosure of non-cash transactions:		
Capitalized stock based compensation	$ 4,499	$ 1,848
Asset retirement obligation capitalized	$ 5,713	$ 1,771
Interest capitalized	$ 9,606	$ 9,013
Foreign currency translation loss on investment in Grizzly Oil Sands ULC	$ (9,998)	$ (5,786)

See accompanying notes to consolidated financial statements.

GULFPORT ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

These consolidated financial statements have been prepared by Gulfport Energy Corporation (the “Company” or “Gulfport”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), and reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods, on a basis consistent with the annual audited consolidated financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the summary of significant accounting policies and notes thereto included in the Company's most recent annual report on Form 10-K. Results for the three and nine month periods ended September 30, 2014 are not necessarily indicative of the results expected for the full year.

1. ACQUISITIONS

On February 15, 2013, the Company completed an acquisition of approximately 22,000 net acres in the Utica Shale in Eastern Ohio. The purchase price was approximately $220.0 million, subject to certain adjustments. At closing, approximately $33.6 million of the purchase price was placed in escrow pending completion of title review after the closing. Gulfport funded this acquisition with a portion of the net proceeds from its common stock offering that closed on February 15, 2013. The Company received aggregate net proceeds of approximately $325.8 million from this equity offering. All of the acreage included in these transactions was nonproducing at the time of the applicable transaction and the Company is the operator of all of this acreage, subject to existing development and operating agreements between the parties. These acquisitions excluded the seller's interest in 14 existing wells and 16 proposed future wells together with certain acreage surrounding these wells.

In February 2014, the Company agreed to acquire additional oil and natural gas properties consisting of approximately 8,000 net acres from Rhino Exploration LLC ("Rhino"), as well as its interest in all of the producing wells, in the Utica Shale of Eastern Ohio from Rhino, for a gross purchase price of approximately $184.0 million (the "Rhino Acquisition"), of which the Company closed on approximately $179.0 million ($177.4 million net of purchase price adjustments) on March 20, 2014. The remainder of the acquisition remains pending. The Company recognized $4.9 million of net revenues and $0.7 million of lease operating expenses as a result of the Rhino Acquisition from the closing date of March 20, 2014 through September 30, 2014, which is included in the accompanying consolidated statements of operations.

The Rhino Acquisition qualified as a business combination for accounting purposes and, as such, the Company estimated the fair value of the acquired properties as of the March 20, 2014 acquisition date. The fair value of the assets and liabilities acquired was estimated using assumptions that represent Level 3 inputs. See "Note 10 - Fair Value Measurements" for additional discussion of the measurement inputs.

The Company estimated that the consideration paid in the Rhino Acquisition for these properties approximated the fair value that would be paid by a typical market participant. As a result, no goodwill or bargain purchase gain was recognized in conjunction with the purchase.

The following table summarizes the consideration paid in the Rhino Acquisition to acquire the properties and the fair value amounts of the assets acquired as of March 20, 2014. Both the consideration paid and the fair value assigned to the assets is preliminary and subject to adjustment upon final closing.

		(in thousands)
Consideration paid		
Cash, net of purchase price adjustments	$	177,444
Fair value of identifiable assets acquired		
Oil and natural gas properties		
Proved	$	32,005
Unproved		6,263
Unevaluated		139,176
Fair value of net identifiable assets acquired	$	177,444

2. PROPERTY AND EQUIPMENT

The major categories of property and equipment and related accumulated depletion, depreciation, amortization and impairment as of September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013
	(In thousands)	
Oil and natural gas properties	$ 3,586,016	$ 2,477,178
Office furniture and fixtures	9,741	6,093
Building	4,942	4,626
Land	2,197	412
Total property and equipment	3,602,896	2,488,309
Accumulated depletion, depreciation, amortization and impairment	(969,962)	(784,717)
Property and equipment, net	$ 2,632,934	$ 1,703,592

Included in oil and natural gas properties at September 30, 2014 is the cumulative capitalization of $66.6 million in general and administrative costs incurred and capitalized to the full cost pool. General and administrative costs capitalized to the full cost pool represent management's estimate of costs incurred directly related to exploration and development activities such as geological and other administrative costs associated with overseeing the exploration and development activities. All general and administrative costs not directly associated with exploration and development activities were charged to expense as they were incurred. Capitalized general and administrative costs were approximately $5.9 million and $19.1 million for the three and nine months ended September 30, 2014, respectively, and $3.5 million and $9.6 million for the three and nine months ended September 30, 2013, respectively.

The following table summarizes the Company's non-producing properties excluded from amortization by area at September 30, 2014:

	September 30, 2014
	(In thousands)
Colorado	$ 5,842
Bakken	295
Southern Louisiana	708
Ohio	1,445,840
Other	45
	$ 1,452,730

At December 31, 2013, approximately $950.6 million of non-producing leasehold costs was not subject to amortization.

The Company evaluates the costs excluded from its amortization calculation at least annually. Subject to industry conditions and the level of the Company's activities, the inclusion of most of the above referenced costs into the Company's amortization calculation is expected to occur within three to five years.

A reconciliation of the Company's asset retirement obligation for the nine months ended September 30, 2014 and 2013 is as follows:

	September 30, 2014	September 30, 2013
	(In thousands)	
Asset retirement obligation, beginning of period	$ 15,083	$ 13,275
Liabilities incurred	5,713	1,771
Liabilities settled	(4,972)	(807)
Accretion expense	569	529
Asset retirement obligation as of end of period	16,393	14,768
Less current portion	75	780
Asset retirement obligation, long-term	$ 16,318	$ 13,988

On May 7, 2012, the Company entered into a contribution agreement with Diamondback Energy Inc. ("Diamondback"). Under the terms of the contribution agreement, the Company agreed to contribute to Diamondback, prior to the closing of the Diamondback initial public offering ("Diamondback IPO"), all its oil and natural gas interests in the Permian Basin (the "Contribution"). The Contribution was completed on October 11, 2012. At the closing of the Contribution, Diamondback issued to the Company (i) 7,914,036 shares of Diamondback common stock and (ii) a promissory note for $63.6 million, which was repaid to the Company at the closing of the Diamondback IPO on October 17, 2012. This aggregate consideration was subject to a post-closing cash adjustment based on changes in the working capital, long-term debt and certain other items of Diamondback O&G LLC, formerly Windsor Permian LLC ("Diamondback O&G"), as of the date of the Contribution. In January 2013, the Company received an additional payment from Diamondback of approximately $18.6 million as a result of this post-closing adjustment. Diamondback O&G is a wholly-owned subsidiary of Diamondback. Under the contribution agreement, the Company is generally responsible for all liabilities and obligations with respect to the contributed properties arising prior to the Contribution and Diamondback is responsible for such liabilities and obligations with respect to the contributed properties arising after the Contribution.

Immediately upon completion of the Contribution, the Company owned a 35% equity interest in Diamondback, rather than leasehold interests in the Company's Permian Basin acreage. Upon completion of the Diamondback IPO in October 2012, Gulfport owned approximately 21.4% of Diamondback's outstanding common stock. Following the Contribution, the Company has accounted for its interest in Diamondback as an equity investment. See Note 3, "Equity Investments - *Diamondback Energy, Inc.*" As of September 30, 2014, Gulfport owned 942,000 shares representing approximately 1.7% of Diamondback's outstanding common stock.

3. EQUITY INVESTMENTS

Investments accounted for by the equity method consist of the following as of September 30, 2014 and December 31, 2013:

		Carrying Value		(Income) loss from equity method investments			
				Three months ended September 30,		Nine months ended September 30,	
	Approximate Ownership %	September 30, 2014	December 31, 2013	2014	2013	2014	2013
				(In thousands)			
Investment in Tatex Thailand II, LLC	23.5%	$ —	$ —	$ (475)	$ (170)	$ (475)	$ (375)
Investment in Tatex Thailand III, LLC	17.9%	12,190	10,774	47	64	217	157
Investment in Grizzly Oil Sands ULC	24.9999%	189,182	191,473	4,633	862	8,862	2,125
Investment in Bison Drilling and Field Services LLC	40.0%	28,950	12,318	(1,273)	1,258	331	1,281
Investment in Muskie Proppant LLC	25.0%	8,056	7,544	55	53	488	869
Investment in Timber Wolf Terminals LLC	50.0%	995	1,001	7	—	7	8
Investment in Windsor Midstream LLC	22.5%	13,531	10,632	(301)	(14)	(504)	(872)
Investment in Stingray Pressure Pumping LLC	50.0%	20,040	19,624	(351)	(293)	1,792	(677)
Investment in Stingray Cementing LLC	50.0%	2,970	3,291	(12)	(31)	189	38
Investment in Blackhawk Midstream LLC	50.0%	—	—	—	174	(84,787)	296
Investment in Stingray Logistics LLC	50.0%	1,316	903	(256)	(78)	(413)	(24)
Investment in Diamondback Energy, Inc.	1.7%	70,443	178,708	32,412	(52,945)	(89,300)	(165,402)
Investment in Stingray Energy Services LLC	50.0%	4,854	3,800	(9)	(202)	26	(64)
Investment in Sturgeon Acquisitions LLC	25.0%	20,688	—	—	—	—	—
		$ 373,215	$ 440,068	$ 34,477	$ (51,322)	$ (163,567)	$ (162,640)

The tables below summarize financial information for the Company's equity investments as of September 30, 2014 and December 31, 2013.

Summarized balance sheet information:

	September 30, 2014	December 31, 2013
	(In thousands)	
Current assets	$ 275,332	$ 146,075
Noncurrent assets	$ 3,817,264	$ 2,567,225
Current liabilities	$ 326,477	$ 233,726
Noncurrent liabilities	$ 870,243	$ 664,848

Summarized results of operations:

	Three months ended September 30,				Nine months ended September 30,			
	2014		2013		2014		2013	
	(In thousands)							
Gross revenue	$	247,525	$	105,684	$	625,819	$	244,118
Net income (loss)	$	35,212	$	19,869	$	242,816	$	35,211

Tatex Thailand II, LLC

The Company has an indirect ownership interest in Tatex Thailand II, LLC (“Tatex”). Tatex holds 85,122 of the 1,000,000 outstanding shares of APICO, LLC (“APICO”), an international oil and gas exploration company. APICO has a reserve base located in Southeast Asia through its ownership of concessions covering approximately 243,000 acres which includes the Phu Horm Field. During the three and nine months ended September 30, 2014, Gulfport received $0.5 million in distributions from Tatex and recognized $0.5 million in distribution income for the same periods, which is included in loss (income) from equity method investments in the consolidated statements of operations.

Tatex Thailand III, LLC

The Company has an ownership interest in Tatex Thailand III, LLC ("Tatex III"). Tatex III owns a concession covering approximately 245,000 acres in Southeast Asia. During the nine months ended September 30, 2014, the Company paid $1.6 million in cash calls related to Tatex III.

Grizzly Oil Sands ULC

The Company, through its wholly owned subsidiary Grizzly Holdings Inc. ("Grizzly Holdings"), owns an interest in Grizzly Oil Sands ULC ("Grizzly"), a Canadian unlimited liability company. The remaining interest in Grizzly is owned by Grizzly Oil Sands Inc. ("Oil Sands"). As of September 30, 2014, Grizzly had approximately 830,000 acres under lease in the Athabasca and Peace River oil sands regions of Alberta, Canada. Initiation of steam injection at its first project, Algar Lake Phase 1, commenced in January 2014 and first bitumen production was achieved during the second quarter of 2014. During the nine months ended September 30, 2014, Gulfport paid $16.6 million in cash calls. Grizzly’s functional currency is the Canadian dollar. The Company's investment in Grizzly was decreased by $9.5 million and by $10.0 million for the three and nine months ended September 30, 2014, respectively, as a result of a foreign currency translation loss. The Company's investment in Grizzly was increased by $3.9 million as a result of a foreign currency translation gain and decreased by $5.8 million as a result of a foreign currency translation loss for the three and nine months ended September 30, 2013, respectively.

Bison Drilling and Field Services LLC

During 2011, the Company invested in Bison Drilling and Field Services LLC (“Bison”). Bison owns and operates drilling rigs. During the nine months ended September 30, 2014, Gulfport paid $17.0 million in cash calls to Bison.

Muskie Proppant LLC

During 2011, the Company invested in Muskie Proppant LLC (“Muskie”). Muskie processes and sells sand for use in hydraulic fracturing by the oil and natural gas industry and holds certain rights in a lease covering land in Wisconsin for mining oil and natural gas fracture grade sand. During the nine months ended September 30, 2014, Gulfport paid $1.0 million in cash calls to Muskie.

The Company entered into a loan agreement with Muskie effective July 1, 2013, under which it loaned Muskie $0.9 million. Interest accrues at the prime rate plus 2.5% and the loan had an original maturity date of July 31, 2014. Effective July 31, 2014, an amendment was made to the loan agreement which changed the maturity date of the loan to July 31, 2015. At September 30, 2014, the outstanding balance on the loan is included in notes receivable-related party on the accompanying consolidated balance sheets.

Timber Wolf Terminals LLC

During 2012, the Company invested in Timber Wolf Terminals LLC (“Timber Wolf”). The Company's initial investment during 2012 was $1.0 million. Timber Wolf will operate a crude/condensate terminal and a sand transloading facility in Ohio. During the nine months ended September 30, 2014, Gulfport did not pay any cash calls related to Timber Wolf.

Windsor Midstream LLC

During 2012, the Company purchased an ownership interest in Windsor Midstream LLC (“Midstream”). Midstream owns a 28.4% interest in Coronado Midstream LLC, a gas processing plant in West Texas. During the nine months ended September 30, 2014, Gulfport paid $2.4 million in cash calls to Midstream.

Stingray Pressure Pumping LLC

During 2012, the Company invested in Stingray Pressure Pumping LLC ("Stingray Pressure"). Stingray Pressure provides well completion services. During the nine months ended September 30, 2014, the Company paid $2.5 million in cash calls related to Stingray Pressure. The income from equity method investments presented in the table above reflects any intercompany profit eliminations.

Stingray Cementing LLC

During 2012, the Company invested in Stingray Cementing LLC ("Stingray Cementing"). Stingray Cementing provides well cementing services. During the nine months ended September 30, 2014, the Company did not pay any cash calls related to Stingray Cementing. The income from equity method investments presented in the table above reflects any intercompany profit eliminations.

Blackhawk Midstream LLC

During 2012, the Company invested in Blackhawk Midstream LLC ("Blackhawk"). Blackhawk coordinates gathering, compression, processing and marketing activities for the Company in connection with the development of its Utica Shale acreage. On January 28, 2014, Blackhawk closed on the sale of its equity interests in Ohio Gathering Company, LLC and Ohio Condensate Company, LLC for a purchase price of $190.0 million, of which $14.3 million was placed in escrow. Gulfport received $84.8 million in net proceeds from this transaction, which is included in loss (income) from equity method investments in the accompanying consolidated statements of operations.

Stingray Logistics LLC

During 2012, the Company invested in Stingray Logistics LLC ("Stingray Logistics"). Stingray Logistics provides well services. During the nine months ended September 30, 2014, the Company did not pay any cash calls.

Diamondback Energy, Inc.

As noted above in Note 2, on October 11, 2012, following the closing of the Diamondback IPO, the Company owned 7,914,036 shares of Diamondback's outstanding common stock for an initial investment in Diamondback valued at $138.5 million. In June and September of 2014, the Company sold 1,000,000 and 1,437,500 shares of its Diamondback common stock, respectively, and received aggregate net proceeds of approximately $197.6 million. In June and November of 2013, the Company sold 2,234,536 and 2,300,000 shares of its Diamondback common stock, respectively, and received aggregate net proceeds of approximately $192.7 million. As of September 30, 2014, the Company owned 942,000 shares representing approximately 1.7% of Diamondback's outstanding common stock.

The Company accounts for its interest in Diamondback as an equity method investment and has elected the fair value option of accounting for this investment. Although the Company's ownership in Diamondback was below 20% at September 30, 2014, and it no longer has the right to designate a director nominee to serve on Diamondback's Board, the Company's initial nominee still serves as a member of Diamondback's Board. As the Company continues to have influence through this board seat, the Company continues to account for its investment in Diamondback as an equity method investment. The Company valued its investment in Diamondback using the quoted closing market price of Diamondback's stock on September 30, 2014 of $74.78 per share multiplied by the number of outstanding shares of Diamondback's stock held by the Company. The Company recognized a loss of approximately $32.4 million and a gain of approximately $89.3 million on its investment in Diamondback for the three and nine months ended September 30, 2014, respectively, and an aggregate gain of approximately $52.9 million and $165.4 million on its investment in Diamondback for three and nine months ended September 30, 2013, respectively, which is included in loss (income) from equity method investments in the consolidated statements of operations.

Stingray Energy Services LLC

During 2013, the Company invested in Stingray Energy Services LLC ("Stingray Energy") at a cost of $2.9 million. Stingray Energy provides rental tools for land-based oil and natural gas drilling, completion and workover activities as well as the transfer of fresh water to wellsites. During the nine months ended September 30, 2014, the Company did not pay any cash calls to Stingray Energy. The income from equity method investments presented in the table above reflects any intercompany profit eliminations.

Sturgeon Acquisitions LLC

During the third quarter of 2014, the Company invested $20.7 million and received an ownership interest of 25% in Sturgeon Acquisitions LLC ("Sturgeon"). Sturgeon owns and operates sand mines that produce hydraulic fracturing grade sand.

4. OTHER ASSETS

Other assets consist of the following as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
	(In thousands)	
Plugging and abandonment escrow account on the WCBB properties (Note 8)	$ 3,097	$ 3,105
Certificates of Deposit securing letter of credit	275	275
Prepaid drilling costs	510	526
Loan commitment fees	14,990	9,341
Derivative receivable	4,493	4,493
Deposits	34	34
Other	31	77
	$ 23,430	$ 17,851

5. LONG-TERM DEBT

Long-term debt consisted of the following items as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
	(In thousands)	
Revolving credit agreement (1)	$ —	$ —
Building loans (2)	1,868	1,995
7.75% senior unsecured notes due 2020 (3)	600,000	300,000
Unamortized original issue (discount) premium, net (4)	15,179	(2,808)
Less: current maturities of long term debt	(166)	(159)
Debt reflected as long term	$ 616,881	$ 299,028

The Company capitalized approximately $3.4 million and $9.6 million in interest expense to oil and natural gas properties during the three and nine months ended September 30, 2014, respectively. The Company capitalized approximately $3.5 million and $9.0 million in interest expense to oil and natural gas properties during the three and nine months ended September 30, 2013, respectively.

(1) On December 27, 2013, the Company entered into an Amended and Restated Credit Agreement with The Bank of Nova Scotia, as administrative agent, sole lead arranger and sole bookrunner, Amegy Bank National Association, as syndication agent, KeyBank National Association, as documentation agent, and other lenders (The "Amended and Restated Credit Agreement") that provides for a maximum facility amount of $1.5 billion. The Amended and Restated Credit Agreement matures on June 6, 2018. The Company’s wholly-owned subsidiaries have guaranteed the obligations of the Company under the Amended and Restated Credit Agreement.

On April 23, 2014, the Company entered into a first amendment to the Amended and Restated Credit Agreement. The first amendment increased the letter of credit sublimit from $20.0 million to $70.0 million and provided for an increase in the borrowing base availability from $150.0 million to $275.0 million. The first amendment also made certain changes to the lenders and their respective lending commitments thereunder. As of September 30, 2014, the Company had no borrowings outstanding under the Amended and Restated Credit Agreement. At September 30, 2014, the total availability for future borrowings under the Amended and Restated Credit Agreement, after giving effect to an aggregate of $41.7 million of letters of credit, was $233.3 million.

In connection with the Company's fall redetermination under its revolving credit facility, the lead lender has proposed to increase the Company's borrowing base from $275.0 million to $450.0 million, subject to the approval of the additional banks within the syndicate.

Advances under the Amended and Restated Credit Agreement may be in the form of either base rate loans or eurodollar loans. The interest rate for base rate loans is equal to (1) the applicable rate, which ranges from 0.50% to 1.50%, plus (2) the highest of: (a) the federal funds rate plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by agent as its “prime rate,” and (c) the eurodollar rate for an interest period of one month plus 1.00%. The interest rate for eurodollar loans is equal to (1) the applicable rate, which ranges from 1.50% to 2.50%, plus (2) the London interbank offered rate that appears on Reuters Screen LIBOR01 Page for deposits in U.S. dollars, or, if such rate is not available, the offered rate on such other page or service that displays the average British Bankers Association Interest Settlement Rate for deposits in U.S. dollars, or, if such rate is not available, the average quotations for three major New York money center banks of whom the agent shall inquire as the “London Interbank Offered Rate” for deposits in U.S. dollars.

The Amended and Restated Credit Agreement contains customary negative covenants including, but not limited to, restrictions on the Company’s and its subsidiaries’ ability to:

- incur indebtedness;
- grant liens;
- pay dividends and make other restricted payments;
- make investments;
- make fundamental changes;
- enter into swap contracts and forward sales contracts;
- dispose of assets;
- change the nature of their business; and
- enter into transactions with affiliates.

The negative covenants are subject to certain exceptions as specified in the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement also contains certain affirmative covenants, including, but not limited to the following financial covenants:

(i) the ratio of funded debt to EBITDAX (net income, excluding any non-cash revenue or expense associated with swap contracts resulting from ASC 815, plus without duplication and to the extent deducted from revenues in determining net income, the sum of (a) the aggregate amount of consolidated interest expense for such period, (b) the aggregate amount of income, franchise, capital or similar tax expense (other than ad valorem taxes) for such period, (c) all amounts attributable to depletion, depreciation, amortization and asset or goodwill impairment or writedown for such period, (d) all other non-cash charges, (e) non-cash losses from minority investments, (f) actual cash distributions received from minority investments, (g) to the extent actually reimbursed by insurance, expenses with respect to liability on casualty events or business interruption, and (h) all reasonable transaction expenses related to dispositions and acquisitions of assets, investments and debt and equity offerings, and less non-cash income attributable to equity income from minority investments) for a twelve-month period may not be greater than 2.00 to 1.00; and

(ii) the ratio of EBITDAX to interest expense for a twelve-month period may not be less than 3.00 to 1.00.

The Company was in compliance with all covenants at September 30, 2014.

(2) In March 2011, the Company entered into a new building loan agreement for the office building it occupies in Oklahoma City, Oklahoma. The new loan agreement refinanced the $2.4 million outstanding under the previous building loan agreement. The new agreement matures in February 2016 and bears interest at the rate of 5.82% per annum. The new building loan requires monthly interest and principal payments of approximately $22,000 and is collateralized by the Oklahoma City office building and associated land.

(3) On October 17, 2012, the Company issued $250.0 million in aggregate principal amount of senior unsecured notes due 2020 (the "October Notes") to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act (the "October Notes Offering") under an indenture among the Company, its subsidiary guarantors and Wells Fargo Bank, National Association, as the trustee (the "senior note indenture"). On December 21, 2012, the Company issued an additional $50.0 million in aggregate principal amount of senior unsecured notes due 2020 (the "December Notes") to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act ("the December Notes Offering"). The December Notes were issued as additional securities under the senior note indenture. The Company used a portion of the net proceeds from the October Notes Offering to repay all amounts outstanding at such time under its revolving credit facility. The Company used the remaining net proceeds of the October Notes Offering and the net proceeds of the December Notes Offering for general corporate purposes, which included funding a portion of its 2013 capital development plan. The October Notes and the December Notes were exchanged for substantially identical notes in the same aggregate principal amount that were registered under the Securities Act in October 2013 (the "Exchange Notes").

On August 18, 2014, the Company issued an additional $300.0 million in aggregate principal amount of senior unsecured notes due 2020 (the "August Notes") to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act ("the August Notes Offering"). The August Notes were issued as additional securities under the senior note indenture. The Company used a portion of the net proceeds from the August Notes Offering to repay all amounts outstanding at such time under its revolving credit facility. The Company intends to use the remaining net proceeds of the August Notes Offering for general corporate purposes, including funding a portion of its 2014 and 2015 capital development plans. The October Notes Offering, December Notes Offering and the August Notes Offering are collectively referred to as the "Notes Offerings" and the Exchange Notes, and the August Notes are collectively referred to as the "Notes".

Under the senior note indenture, interest on the Notes accrues at a rate of 7.75% per annum on the outstanding principal amount from October 17, 2012, payable semi-annually on May 1 and November 1 of each year, commencing on May 1, 2013. The Notes are the Company's senior unsecured obligations and rank equally in the right of payment with all of the Company's other senior indebtedness and senior in right of payment to any future subordinated indebtedness. All of the Company's existing and future restricted subsidiaries that guarantee the Company's secured revolving credit facility or certain other debt guarantee the Notes; provided, however, that the Notes are not guaranteed by Grizzly Holdings, Inc. and will not be guaranteed by any of the Company's future unrestricted subsidiaries. The Company may redeem some or all of the Notes at any time on or after November 1, 2016, at the redemption prices listed in the senior note indenture. Prior to November 1, 2016, the Company may redeem the Notes at a price equal to 100% of the principal amount plus a “make-whole” premium. In addition, prior to November 1, 2015, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net proceeds of certain equity offerings, provided that at least 65% of the aggregate principal amount of the Notes initially issued remains outstanding immediately after such redemption.

(4) The October Notes were issued at a price of 98.534% resulting in a gross discount of $3.7 million and an effective rate of 8.000%. The December Notes were issued at a price of 101.000% resulting in a gross premium of $0.5 million and an effective rate of 7.531%. The August Notes were issued at a price of 106.000% resulting in a gross premium of $18.0 million and an effective rate of 6.561%. The premium and discount are being amortized using the effective interest method.

6. STOCK-BASED COMPENSATION

During the three and nine months ended September 30, 2014, the Company’s stock-based compensation cost was $3.5 million and $11.2 million, respectively, of which the Company capitalized $1.4 million and $4.5 million, respectively, relating to its exploration and development efforts. During the three and nine months ended September 30, 2013, the Company's stock-based compensation cost was $1.6 million and $4.6 million, respectively, of which the Company capitalized $0.6 million and $1.8 million, respectively, relating to its exploration and development efforts.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. Expected volatilities are based on the historical volatility of the market price of Gulfport’s common stock over a period of time ending on the grant date. Based upon the historical experience of the Company, the expected term of options granted is equal to the vesting period plus one year. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The 2013 Restated Stock Incentive Plan (which amended and restated the 2005 Plan) provides that all options must have an exercise price not less than the fair value of the Company's common stock on the date of the grant.

No stock options were issued during the nine months ended September 30, 2014 and 2013.

The Company has not declared dividends and does not intend to do so in the foreseeable future, and thus did not use a dividend yield. In each case, the actual value that will be realized, if any, depends on the future performance of the common stock and overall stock market conditions. There is no assurance that the value an optionee actually realizes will be at or near the value estimated using the Black-Scholes model.

A summary of the status of stock options and related activity for the nine months ended September 30, 2014 is presented below:

	Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In thousands)
Options outstanding at December 31, 2013	210,241	$ 3.50	1.07	$ 12,538
Granted	—	—		
Exercised	(194,908)	3.36		12,420
Forfeited/expired	—	—		
Options outstanding at September 30, 2014	15,333	$ 5.22	0.52	$ 739
Options exercisable at September 30, 2014	15,333	$ 5.22	0.52	$ 739

The following table summarizes information about the stock options outstanding at September 30, 2014:

Exercise Price	Number Outstanding	Weighted Average Remaining Life (in years)	Number Exercisable
$ 3.36	10,333	0.31	10,333
$ 9.07	5,000	0.94	5,000
	15,333		15,333

The following table summarizes restricted stock activity for the nine months ended September 30, 2014:

	Number of Unvested Restricted Shares	Weighted Average Grant Date Fair Value
Unvested shares as of December 31, 2013	463,637	$ 44.80
Granted	226,909	66.53
Vested	(159,064)	42.73
Forfeited	(33,469)	63.20
Unvested shares as of September 30, 2014	498,013	$ 54.13

Unrecognized compensation expense as of September 30, 2014 related to outstanding stock options and restricted shares was $21.1 million. The expense is expected to be recognized over a weighted average period of 1.57 years.

7. EARNINGS PER SHARE

Reconciliations of the components of basic and diluted net income per common share are presented in the tables below:

	Three months ended September 30,					
	2014			2013		
	Income	Shares	Per Share	Income	Shares	Per Share
	(In thousands, except share data)					
Basic:						
Net income	$ 6,920	85,506,095	$ 0.08	$ 40,527	77,554,386	$ 0.52
Effect of dilutive securities:						
Stock options and awards	—	401,212		—	377,352	
Diluted:						
Net income	$ 6,920	85,907,307	$ 0.08	$ 40,527	77,931,738	$ 0.52

	Nine months ended September 30,					
	2014			2013		
	Income	Shares	Per Share	Income	Shares	Per Share
	(In thousands, except share data)					
Basic:						
Net income	$137,330	85,405,630	$ 1.61	$128,914	75,955,040	$ 1.70
Effect of dilutive securities						
Stock options and awards	—	384,803		—	419,067	
Diluted:						
Net income	$137,330	85,790,433	$ 1.60	$128,914	76,374,107	$ 1.69

There were no potential shares of common stock that were considered anti-dilutive for the three and nine months ended September 30, 2014 and 2013.

8. COMMITMENTS

Plugging and Abandonment Funds

In connection with the Company's acquisition in 1997 of the remaining 50% interest in its WCBB properties, the Company assumed the seller's (Chevron) obligation to contribute approximately $18,000 per month through March 2004 to a plugging and abandonment trust and the obligation to plug a minimum of 20 wells per year for 20 years commencing March 11, 1997. Chevron retained a security interest in production from these properties until the Company's abandonment obligations to Chevron have been fulfilled. Beginning in 2009, the Company could access the trust for use in plugging and abandonment charges associated with the property, although it has not yet done so. As of September 30, 2014, the plugging and abandonment trust totaled approximately $3.1 million. At September 30, 2014, the Company had plugged 404 wells at WCBB since it began its plugging program in 1997, which management believes fulfills its current minimum plugging obligation.

Employment Agreements

Effective November 1, 2012, the Company entered into an employment agreement with Messrs. James Palm, Mike Liddell and Michael Moore, each with an initial three-year term expiring on November 1, 2015 subject to automatic one-year extensions unless terminated by either party to the agreement at least 90 days prior to the end of the then current term. These agreements provided for minimum salary and bonus levels, subject to review and potential increase by the Compensation Committee and/or the Board of Directors, as well as participation in the Company's incentive plans and other employee benefits.

Effective February 15, 2014, Gulfport's former Chief Executive Officer, James D. Palm, retired and his employment agreement with the company terminated. The Company entered into a separation agreement with Mr. Palm, under which agreement certain benefits are provided to, and obligations imposed on, Mr. Palm. As of September 30, 2014, the minimum commitment under Mr. Palm's separation agreement was approximately $0.6 million. Gulfport's former Chairman, Mr. Liddell, resigned effective June 2013 at which date his employment agreement with Gulfport terminated. At that same date, the Company entered into a consulting agreement with Mr. Liddell. The minimum commitment under Mr. Liddell's consulting agreement at September 30, 2014 was approximately $0.6 million. Subsequent to September 30, 2014, Mr. Liddell terminated his consulting agreement with the Company and will cease to provide consulting services as of January 1, 2015.

On April 22, 2014, the Board of Directors appointed Michael G. Moore as Chief Executive Officer of the Company. The Company and Mr. Moore entered into an amended and restated employment agreement. The agreement has a three-year term commencing effective April 22, 2014. This agreement provides, among other things, for a minimum salary level, subject to review and potential increase by the Compensation Committee and/or the Board of Directors, as well as participation in the Company's incentive plans and other employee benefits. The aggregate minimum commitment for future salary at September 30, 2014 under the April 22, 2014 amended and restated employment agreement was approximately $1.0 million.

Operating Leases

The Company leases office facilities under non-cancellable operating leases exceeding one year. Future minimum lease commitments under these leases at September 30, 2014 are as follows:

		(In thousands)
Remaining 2014	$	144
2015		535
2016		467
2017		438
2018		20
Total	$	1,604

Litigation

Gulfport has previously provided disclosure regarding a lawsuit entitled *Reeds et al. v. BP American Production Company et al.*, in the 38th Judicial District Court of Louisiana, Case No. 10-18714, filed against 15 oil and gas defendants on

July 30, 2010 by six individuals and one limited liability company in Cameron Parish Louisiana for surface contamination in areas where Gulfport and other defendants operated. On September 25, 2014, the Court entered an order approving the settlement agreement by and among Gulfport and the plaintiffs. Under the terms of the settlement agreement, Gulfport paid $16.0 million and has agreed to pay an additional $2.0 million on the first anniversary of such payment plus pay the cost of a plan of remediation to be approved by the appropriate governmental authority. The aggregate $18.0 million settlement is included in litigation settlement in the accompanying consolidated statements of operations.

Gulfport has previously disclosed that in November 2012, it and other entities involved in Gulfport's WCBB field operations received a government subpoena for the production of documents and other information related primarily to discharge of produced water identified by the U.S. Coast Guard in March 2012. Gulfport completed its response to that subpoena in January 2013 and has been working with the Department of Justice, Environmental Protection Agency and Louisiana Department of Environmental Quality to resolve the issue. Gulfport entered into an agreement to plead guilty to one count of a misdemeanor violation of the Clean Water Act for negligent discharge of pollutants and pay a fine of $1,125,000 and community service in the amount of $375,000. The plea agreement was approved by the United States District Court for the Western District of Louisiana on October 27, 2014 in case number 6:14-CR-00180-01. The Company has accrued $1.5 million related to the plea agreement as of September 30, 2014, which is included in litigation settlement in the accompanying consolidated statements of operations.

The Company has been named as a defendant in various other lawsuits related to its business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial condition or results of operations in future periods.

9. HEDGING ACTIVITIES

Oil Price Hedging Activities

The Company seeks to reduce its exposure to unfavorable changes in oil and natural gas prices, which are subject to significant and often volatile fluctuation, by entering into fixed price swaps. These contracts allow the Company to predict with greater certainty the effective oil and natural gas prices to be received for hedged production and benefit operating cash flows and earnings when market prices are less than the fixed prices provided in the contracts. However, the Company will not benefit from market prices that are higher than the fixed prices in the contracts for hedged production.

The Company accounts for its oil and natural gas derivative instruments as cash flow hedges for accounting purposes under FASB ASC 815 and related pronouncements. All derivative contracts are marked to market each quarter end and are included in the accompanying consolidated balance sheets as derivative assets and liabilities.

During 2013 and 2014, the Company entered into fixed price swap and swaption contracts for 2013 through 2016 with four financial institutions. The Company’s fixed price swap contracts are tied to the commodity prices on the International Petroleum Exchange (“IPE”) and NYMEX. The Company will receive the fixed price amount stated in the contract and pay to its counterparty the current market price as listed on the IPE for Brent Crude for oil and on the NYMEX Henry Hub for natural gas. At September 30, 2014, the Company had the following fixed price swaps in place:

	Daily Volume (Bbls/day)	Weighted Average Price
October 2014 - December 2014	2,000	$ 101.50

	Daily Volume (MMBtu/day)	Weighted Average Price
October 2014 - December 2014	155,000	$ 4.07
January 2015 - March 2015	175,000	$ 4.08
April 2015	185,000	$ 4.07
May 2015 - December 2015	195,000	$ 4.07
January 2016 - March 2016	135,000	$ 4.03
April 2016	125,000	$ 4.03
May 2016 - December 2016	30,000	$ 4.01

At September 30, 2014 the fair value of derivative assets and liabilities related to the fixed price swaps and swaptions was as follows:

	(In thousands)
Short-term derivative instruments - asset	$ 5,753
Long-term derivative instruments - asset	$ 1,156
Short-term derivative instruments - liability	$ 3,891
Long-term derivative instruments - liability	$ 2,771

All fixed price swaps and swaptions have been executed in connection with the Company's oil and natural gas price hedging program. For fixed price swaps qualifying as cash flow hedges pursuant to FASB ASC 815, the realized contract price is included in oil and gas sales in the period for which the underlying production was hedged.

For derivatives designated as cash flow hedges and meeting the effectiveness guidelines of FASB ASC 815, changes in fair value are recognized in accumulated other comprehensive income (loss) until the hedged item is recognized in earnings. The Company had no cash flow hedges in place for the nine months ending September 30, 2014, as all fixed price swaps and swaptions were deemed ineffective at their inception. Amounts reclassified out of accumulated other comprehensive income (loss) into earnings as a component of oil and condensate sales for the three and nine months ended September 30, 2014 and 2013 are presented below.

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(In thousands)		(In thousands)	
Reduction to oil and condensate sales	$ —	$ (1,617)	$ —	$ (4,818)

At September 30, 2014, no amounts related to fixed price swaps remain in accumulated other comprehensive income (loss).

Hedge effectiveness is measured at least quarterly based on the relative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness is recognized immediately in earnings. The Company recognized a gain of $29.5 million and $23.0 million related to hedge ineffectiveness for the three and nine months ended September 30, 2014, respectively, which is included in oil and condensate and gas sales in the consolidated statements of operations. The Company recognized a loss of $6.7 million and $1.3 million related to hedge ineffectiveness for the three and nine months ended September 30, 2013, respectively, which is included in oil and condensate sales in the consolidated statements of operations.

10. FAIR VALUE MEASUREMENTS

The Company records certain financial and non-financial assets and liabilities on the balance sheet at fair value in accordance with FASB ASC 820. FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The statement establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The statement requires fair value measurements be classified and disclosed in one of the following categories:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

The following tables summarize the Company's financial and non-financial liabilities by FASB ASC 820 valuation level as of September 30, 2014:

	September 30, 2014		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets:			
Fixed price swaps	$ —	$ 6,909	$ —
Equity investment in Diamondback	70,443	—	—
Liabilities:			
Fixed price swaps and swaptions	$ —	$ 6,662	$ —

The estimated fair value of the Company's fixed price swap contracts and swaptions were based upon forward commodity prices based on quoted market prices, adjusted for differentials, and for the Company's swaptions, market implied volatilities of the underlying commodity were also evaluated. See Note 9 for further discussion of the Company's hedging activities. The estimated fair value of the Company's equity investment in Diamondback was based upon the public closing share price of Diamondback's common stock as of September 30, 2014.

The estimated fair values of proved oil and gas properties assumed in business combinations are based on a discounted cash flow model and market assumptions as to future commodity prices, projections of estimated quantities of oil and natural gas reserves, expectations for timing and amount of future development and operating costs, projections of future rates of production, expected recovery rates, and risk-adjusted discount rates. The estimated fair values of unevaluated oil and gas properties was based on geological studies, historical well performance, location and applicable mineral lease terms. Based on the unobservable nature of certain of the inputs the estimated fair value of the oil and gas properties assumed is deemed to use Level 3 inputs. See Note 1 for further discussion of the Company's acquisitions.

The Company estimates asset retirement obligations pursuant to the provisions of FASB ASC Topic 410, "*Asset Retirement and Environmental Obligations*" ("FASB ASC 410"). The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with oil and gas properties. Given the unobservable nature of the inputs, including plugging costs and reserve lives, the initial measurement of the asset retirement obligation liability is deemed to use Level 3 inputs. See Note 2 for further discussion of the Company's asset retirement obligations. Asset retirement obligations incurred during the nine months ended September 30, 2014 were approximately $5.7 million.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts on the accompanying consolidated balance sheet for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and current debt are carried at cost, which approximates market value due to their short-term nature. Long-term debt related to the building loan is carried at cost, which approximates market value based on the borrowing rates currently available to the Company with similar terms and maturities.

At September 30, 2014, the carrying value of the outstanding debt represented by the Notes was $615.2 million, including the remaining unamortized discount of approximately $3.0 million related to the October Notes and the remaining unamortized premium of approximately $0.4 million related to the December Notes and $17.8 million related to the August Notes. Based on the quoted market price, the fair value of the Notes was determined to be approximately $627.0 million at September 30, 2014.

The fair value of the derivative instruments is computed based on the difference between the prices provided by the fixed-price contracts and forward market prices as of the specified date, as adjusted for basis differentials, and for the Company's swaptions, market implied volatilities of the underlying commodity are also evaluated. Forward market prices for oil and natural gas are dependent upon supply and demand factors in such forward market and are subject to significant volatility.

12. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

On October 17, 2012, December 21, 2012, and August 18, 2014, the Company issued an aggregate of $600.0 million principal amount of its 7.75% Senior Notes. The October Notes and the December Notes were exchanged for substantially identical notes in the same aggregate principal amount that were registered under the Securities Act. The Exchange Notes and the August Notes are collectively referred to as the "Notes". The Notes are guaranteed on a senior unsecured basis by all existing consolidated subsidiaries that guarantee the Company's secured revolving credit facility or certain other debt (the "Guarantors"). The Notes are not guaranteed by Grizzly Holdings, Inc., (the "Non-Guarantor"). The Guarantors are 100% owned by Gulfport (the "Parent"), and the guarantees are full, unconditional, joint and several. There are no significant restrictions on the ability of the Parent or the Guarantors to obtain funds from each other in the form of a dividend or loan.

The following condensed consolidating balance sheets, statements of operations, statements of comprehensive income (loss) and statements of cash flows are provided for the Parent, the Guarantors and the Non-Guarantor and include the consolidating adjustments and eliminations necessary to arrive at the information for the Company on a condensed consolidated basis. The information has been presented using the equity method of accounting for the Parent's ownership of the Guarantors and the Non-Guarantor.

CONDENSED CONSOLIDATING BALANCE SHEETS
(Amounts in thousands)

	September 30, 2014				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 152,479	$ 404	$ —	$ —	$ 152,883
Accounts receivable - oil and gas	124,771	14,820	—	—	139,591
Accounts receivable - related parties	153	—	—	—	153
Accounts receivable - intercompany	36,679	27	—	(36,706)	—
Prepaid expenses and other current assets	3,578	—	—	—	3,578
Deferred tax asset	7,819	—	—	—	7,819
Short-term derivative instruments	5,753	—	—	—	5,753
Note receivable - related party	875	—	—	—	875
Total current assets	332,107	15,251	—	(36,706)	310,652
Property and equipment:					
Oil and natural gas properties, full-cost accounting	3,572,134	14,479	—	(597)	3,586,016
Other property and equipment	16,850	30	—	—	16,880
Accumulated depletion, depreciation, amortization and impairment	(969,938)	(24)	—	—	(969,962)
Property and equipment, net	2,619,046	14,485	—	(597)	2,632,934
Other assets:					
Equity investments and investments in subsidiaries	363,851	—	189,182	(179,818)	373,215
Derivative instruments	1,156	—	—	—	1,156
Other assets	23,430	—	—	—	23,430
Total other assets	388,437	—	189,182	(179,818)	397,801
Total assets	$ 3,339,590	$ 29,736	$ 189,182	$ (217,121)	$ 3,341,387
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities	$ 356,285	$ 1,797	$ —	$ —	$ 358,082
Accounts payable - intercompany	—	36,600	106	(36,706)	—
Asset retirement obligation - current	75	—	—	—	75
Short-term derivative instruments	3,891	—	—	—	3,891
Current maturities of long-term debt	166	—	—	—	166
Total current liabilities	360,417	38,397	106	(36,706)	362,214
Long-term derivative instrument	2,771	—	—	—	2,771
Asset retirement obligation - long-term	16,318	—	—	—	16,318
Deferred tax liability	153,733	—	—	—	153,733
Long-term debt, net of current maturities	616,881	—	—	—	616,881
Total liabilities	1,150,120	38,397	106	(36,706)	1,151,917
Stockholders' equity:					
Common stock	854	—	—	—	854
Paid-in capital	1,824,955	322	224,849	(225,171)	1,824,955
Accumulated other comprehensive income (loss)	(19,779)	—	(19,779)	19,779	(19,779)
Retained earnings (accumulated deficit)	383,440	(8,983)	(15,994)	24,977	383,440
Total stockholders' equity	2,189,470	(8,661)	189,076	(180,415)	2,189,470
Total liabilities and stockholders' equity	$ 3,339,590	$ 29,736	$ 189,182	$ (217,121)	$ 3,341,387

CONDENSED CONSOLIDATING BALANCE SHEETS
(Amounts in thousands)

	December 31, 2013				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 451,431	$ 7,525	$ —	$ —	$ 458,956
Accounts receivable - oil and gas	58,662	162	—	—	58,824
Accounts receivable - related parties	2,617	—	—	—	2,617
Accounts receivable - intercompany	21,379	27	—	(21,406)	—
Prepaid expenses and other current assets	2,581	—	—	—	2,581
Deferred tax asset	6,927	—	—	—	6,927
Short-term derivative instruments	324	—	—	—	324
Note receivable - related party	875	—	—	—	875
Total current assets	544,796	7,714	—	(21,406)	531,104
Property and equipment:					
Oil and natural gas properties, full-cost accounting,	2,470,411	7,340	—	(573)	2,477,178
Other property and equipment	11,102	29	—	—	11,131
Accumulated depletion, depreciation, amortization and impairment	(784,695)	(22)	—	—	(784,717)
Property and equipment, net	1,696,818	7,347	—	(573)	1,703,592
Other assets:					
Equity investments and investments in subsidiaries	432,727	—	191,473	(184,132)	440,068
Derivative instruments	521	—	—	—	521
Other assets	17,851	—	—	—	17,851
Total other assets	451,099	—	191,473	(184,132)	458,440
Total assets	$ 2,692,713	$ 15,061	$ 191,473	$ (206,111)	$ 2,693,136
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities	$ 190,284	$ 423	$ —	$ —	$ 190,707
Accounts payable - intercompany	—	21,296	110	(21,406)	—
Asset retirement obligation - current	795	—	—	—	795
Short-term derivative instruments	12,280	—	—	—	12,280
Current maturities of long-term debt	159	—	—	—	159
Total current liabilities	203,518	21,719	110	(21,406)	203,941
Long-term derivative instrument	11,366	—	—	—	11,366
Asset retirement obligation - long-term	14,288	—	—	—	14,288
Deferred tax liability	114,275	—	—	—	114,275
Long-term debt, net of current maturities	299,028	—	—	—	299,028
Total liabilities	642,475	21,719	110	(21,406)	642,898
Stockholders' equity:					
Common stock	851	—	—	—	851
Paid-in capital	1,813,058	322	208,277	(208,599)	1,813,058
Accumulated other comprehensive income (loss)	(9,781)	—	(9,781)	9,781	(9,781)
Retained earnings (accumulated deficit)	246,110	(6,980)	(7,133)	14,113	246,110
Total stockholders' equity	2,050,238	(6,658)	191,363	(184,705)	2,050,238
Total liabilities and stockholders' equity	$ 2,692,713	$ 15,061	$ 191,473	$ (206,111)	$ 2,693,136

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
(Amounts in thousands)

	Three months ended September 30, 2014				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Total revenues	$ 170,284	$ 520	$ —	$ —	$ 170,804
Costs and expenses:					
Lease operating expenses	11,628	255	—	—	11,883
Production taxes	5,154	59	—	—	5,213
Midstream processing and marketing	18,694	20	—	—	18,714
Depreciation, depletion, and amortization	72,408	1	—	—	72,409
General and administrative	8,909	29	1	—	8,939
Accretion expense	192	—	—	—	192
	116,985	364	1	—	117,350
INCOME (LOSS) FROM OPERATIONS	53,299	156	(1)	—	53,454
OTHER (INCOME) EXPENSE:					
Interest expense	5,706	—	—	—	5,706
Interest income	(25)	—	—	—	(25)
Litigation settlement	1,500	—	—	—	1,500
Loss (income) from equity method investments and investments in subsidiaries	34,322	—	4,633	(4,478)	34,477
	41,503	—	4,633	(4,478)	41,658
INCOME (LOSS) BEFORE INCOME TAXES	11,796	156	(4,634)	4,478	11,796
INCOME TAX EXPENSE	4,876	—	—	—	4,876
NET INCOME (LOSS)	$ 6,920	$ 156	$ (4,634)	$ 4,478	$ 6,920

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
(Amounts in thousands)

	Three months ended September 30, 2013				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Total revenues	$ 68,855	$ 397	$ —	$ —	$ 69,252
Costs and expenses:					
Lease operating expenses	7,137	160	—	—	7,297
Production taxes	7,050	21	—	—	7,071
Midstream processing and marketing	3,616	6	—	—	3,622
Depreciation, depletion, and amortization	30,691	—	—	—	30,691
General and administrative	5,229	31	(1)	—	5,259
Accretion expense	180	—	—	—	180
Loss on sale of assets	(5)	—	—	—	(5)
	53,898	218	(1)	—	54,115
INCOME FROM OPERATIONS	14,957	179	1	—	15,137
OTHER (INCOME) EXPENSE:					
Interest expense	2,602	—	—	—	2,602
Interest income	(70)	—	—	—	(70)
(Income) loss from equity method investments and investments in subsidiaries	(51,502)	—	863	(683)	(51,322)
	(48,970)	—	863	(683)	(48,790)
INCOME (LOSS) BEFORE INCOME TAXES	63,927	179	(862)	683	63,927
INCOME TAX EXPENSE	23,400	—	—	—	23,400
NET INCOME (LOSS)	$ 40,527	$ 179	$ (862)	$ 683	$ 40,527

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
(Amounts in thousands)

	Nine months ended September 30, 2014				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Total revenues	$ 402,148	$ 1,421	$ —	$ —	$ 403,569
Costs and expenses:					
Lease operating expenses	35,466	726	—	—	36,192
Production taxes	18,620	151	—	—	18,771
Midstream processing and marketing	37,209	54	—	—	37,263
Depreciation, depletion, and amortization	185,278	2	—	—	185,280
General and administrative	28,743	91	(2)	—	28,832
Accretion expense	569	—	—	—	569
Gain on sale of assets	(11)	—	—	—	(11)
	305,874	1,024	(2)	—	306,896
INCOME FROM OPERATIONS	96,274	397	2	—	96,673
OTHER (INCOME) EXPENSE:					
Interest expense	11,993	—	—	—	11,993
Interest income	(167)	—	—	—	(167)
Litigation settlement	25,500	—	—	—	25,500
(Income) loss from equity method investments and investments in subsidiaries	(163,966)	—	8,862	(8,463)	(163,567)
	(126,640)	—	8,862	(8,463)	(126,241)
INCOME (LOSS) BEFORE INCOME TAXES	222,914	397	(8,860)	8,463	222,914
INCOME TAX EXPENSE	85,584	—	—	—	85,584
NET INCOME (LOSS)	$ 137,330	$ 397	$ (8,860)	$ 8,463	$ 137,330

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
(Amounts in thousands)

	Nine months ended September 30, 2013				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Total revenues	$ 193,550	$ 1,136	$ —	$ —	$ 194,686
Costs and expenses:					
Lease operating expenses	17,849	498	—	—	18,347
Production taxes	20,317	64	—	—	20,381
Midstream processing and marketing	5,926	14	—	—	5,940
Depreciation, depletion, and amortization	81,813	1	—	—	81,814
General and administrative	14,466	103	2	—	14,571
Accretion expense	529	—	—	—	529
Loss on sale of assets	567	—	—	—	567
	141,467	680	2	—	142,149
INCOME (LOSS) FROM OPERATIONS	52,083	456	(2)	—	52,537
OTHER (INCOME) EXPENSE:					
Interest expense	9,365	—	—	—	9,365
Interest income	(211)	—	—	—	(211)
(Income) loss from equity method investments and investments in subsidiaries	(163,094)	—	2,125	(1,671)	(162,640)
	(153,940)	—	2,125	(1,671)	(153,486)
INCOME (LOSS) BEFORE INCOME TAXES	206,023	456	(2,127)	1,671	206,023
INCOME TAX EXPENSE	77,109	—	—	—	77,109
NET INCOME (LOSS)	$ 128,914	$ 456	$ (2,127)	$ 1,671	$ 128,914

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands)

	Three months ended September 30, 2014				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Net income (loss)	$ 6,920	$ 156	$ (4,634)	$ 4,478	$ 6,920
Foreign currency translation adjustment	(9,536)	—	(9,536)	9,536	(9,536)
Other comprehensive income (loss)	(9,536)	—	(9,536)	9,536	(9,536)
Comprehensive income (loss)	$ (2,616)	$ 156	$ (14,170)	$ 14,014	$ (2,616)

	Three months ended September 30, 2013				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Net income (loss)	$ 40,527	$ 179	$ (862)	$ 683	$ 40,527
Foreign currency translation adjustment	3,894	—	3,894	(3,894)	3,894
Change in fair value of derivative instruments, net of taxes	630	—	—	—	630
Reclassification of settled contracts, net of taxes	1,617	—	—	—	1,617
Other comprehensive income (loss)	6,141	—	3,894	(3,894)	6,141
Comprehensive income (loss)	$ 46,668	$ 179	$ 3,032	$ (3,211)	$ 46,668

	Nine months ended September 30, 2014				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Net income (loss)	$ 137,330	$ 397	$ (8,860)	$ 8,463	$ 137,330
Foreign currency translation adjustment	(9,998)	—	(9,998)	9,998	(9,998)
Other comprehensive income (loss)	(9,998)	—	(9,998)	9,998	(9,998)
Comprehensive income (loss)	$ 127,332	$ 397	$ (18,858)	$ 18,461	$ 127,332

	Nine months ended September 30, 2013				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Net income (loss)	$ 128,914	$ 456	$ (2,127)	$ 1,671	$ 128,914
Foreign currency translation adjustment	(5,786)	—	(5,786)	5,786	(5,786)
Change in fair value of derivative instruments, net of taxes	(444)	—	—	—	(444)
Reclassification of settled contracts, net of taxes	4,818	—	—	—	4,818
Other comprehensive income (loss)	(1,412)	—	(5,786)	5,786	(1,412)
Comprehensive income (loss)	$ 127,502	$ 456	$ (7,913)	$ 7,457	$ 127,502

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Nine months ended September 30, 2014				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 286,500	$ (598)	$ (3)	$ —	$ 285,899
Net cash provided by (used in) investing activities	(897,527)	(6,523)	(16,569)	16,572	(904,047)
Net cash provided by (used in) financing activities	312,075	—	16,572	(16,572)	312,075
Net decrease in cash and cash equivalents	(298,952)	(7,121)	—	—	(306,073)
Cash and cash equivalents at beginning of period	451,431	7,525	—	—	458,956
Cash and cash equivalents at end of period	$ 152,479	$ 404	$ —	$ —	$ 152,883

	Nine months ended September 30, 2013				
	Parent	Guarantors	Non-Guarantor	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 139,818	$ 1,213	$ (1)	$ —	$ 141,030
Net cash provided by (used in) investing activities	(569,291)	(1,539)	(25,087)	25,089	(570,828)
Net cash provided by (used in) financing activities	358,176	—	25,089	(25,089)	358,176
Net increase (decrease) in cash and cash equivalents	(71,297)	(326)	1	—	(71,622)
Cash and cash equivalents at beginning of period	165,293	1,795	—	—	167,088
Cash and cash equivalents at end of period	$ 93,996	$ 1,469	$ 1	$ —	$ 95,466

13. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08: *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* ASU 2014-08 changes the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other material disposal transactions that do not meet the revised definition of a discontinued operation. Under the updated standard, a disposal of a component or group of components of an entity is required to be reported as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component or group of components of the entity (1) has been disposed of by a sale, (2) has been disposed of other than by sale or (3) is classified as held for sale. The ASU is effective for annual and interim periods beginning after December 15, 2014, however, early adoption is permitted. The Company early adopted this ASU on a prospective basis beginning with the second quarter of 2014. The adoption did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the new standard is for the recognition of revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced revenue disclosures, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those years, using either a full or a modified retrospective application approach. The Company is in the process of evaluating the impact on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "*Presentation of Financial Statements - Going Concern (Subtopic 205-40).*" The new guidance addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and in certain circumstances to provide related footnote disclosures. The standard is effective for the annual period ending after December 15, 2016 and for annual and interim periods thereafter. Early adoption is permitted. The Company does not believe that the adoption of this guidance will have a material impact on its consolidated financial statements.

14. SUBSEQUENT EVENTS

In November 2014, the Company entered into fixed price swaps for 15,625 MMBtu of natural gas per day at a weighted average price of $3.96 per MMBtu for the period from January 2015 through March 2015. For the period from April 2015 through June 2015, the Company entered into fixed price swaps for 31,250 MMBtu of natural gas per day at a weighted average price of $3.96 per MMBtu. For the period from July 2015 through September 2015 the Company entered into fixed price swaps for 46,875 MMBtu of natural gas per day at a weighted average price of $3.96 per MMBtu. For the period from October 2015 through June 2017 the Company entered into fixed price swaps for 62,500 MMBtu of natural gas per day at a weighted average price of $3.96 per MMBtu. The Company's fixed price swap contracts are tied to the commodity prices on NYMEX. The Company will receive the fixed price amount stated in the contract and pay to its counterparty the current market price listed on NYMEX for natural gas.

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

The following discussion and analysis should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and audited consolidated financial statements and related notes included in our Annual Report on Form 10-K and with the unaudited consolidated financial statements and related notes thereto presented in this Quarterly Report on Form 10-Q.

Disclosure Regarding Forward-Looking Statements

This report includes "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 report 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 natural 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; adverse weather conditions and natural disasters such as hurricanes and other factors, including those listed in the "Risk Factors" section of our most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q or any other filings we make with the SEC, many of which are beyond our control. Consequently, all of the forward-looking statements made in this report 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.

Overview

We are an independent oil and natural gas exploration and production company focused on the exploration, exploitation, acquisition and production of crude oil, natural gas liquids and natural gas in the United States. Our corporate strategy is to internally identify prospects, acquire lands encompassing those prospects and evaluate those prospects using subsurface geology and geophysical data and exploratory drilling. Using this strategy, we have developed an oil and natural gas portfolio of proved reserves, as well as development and exploratory drilling opportunities on high potential conventional and unconventional oil and natural gas prospects. Our principal properties are located in the Utica Shale in Eastern Ohio and along the Louisiana Gulf Coast in the West Cote Blanche Bay, or WCBB, and Hackberry fields. In addition, we have producing properties in the Niobrara Formation of Northwestern Colorado and the Bakken Formation. We also hold a significant acreage position in the Alberta oil sands in Canada through our interest in Grizzly Oil Sands ULC, or Grizzly, an equity interest in Diamondback Energy, Inc., or Diamondback, a NASDAQ Global Select Market listed company to which we contributed our Permian Basin oil and natural gas interests in October 2012 immediately prior to Diamondback's initial public offering, or the Diamondback IPO, and interests in entities that operate in Southeast Asia, including the Phu Horm gas field in Thailand. We seek to achieve reserve growth and increase our cash flow through our annual drilling programs.

2014 Operational Highlights

- Oil and natural gas revenues increased 148% to $170.4 million for the three months ended September 30, 2014 from $68.8 million for the three months ended September 30, 2013.
- Production increased 226% to 3,894,511 barrels of oil equivalent ("BOE") for the three months ended September 30, 2014 from 1,193,808 BOE for the three months ended September 30, 2013.
- During the three months ended September 30, 2014, we spud 44 gross (39 net) wells, participated in an additional 20 gross (2.6 net) wells that were drilled by other operators on our Utica Shale acreage and recompleted 29 gross and net wells. Of our 44 new wells spud at September 30, 2014, ten were completed as producing wells, four were non-productive, 24 were in various stages of completion and six were being drilled.

- In March 2014, we acquired approximately 8,000 net acres in the Utica Shale of Eastern Ohio from Rhino Exploration LLC, or Rhino, as well as its interest in producing wells, for a total purchase price of $179.0 million ($177.4 million net of purchase price adjustments). We are the operator of substantially all of this acreage.

2014 Production and Drilling Activity

During the three months ended September 30, 2014, our total net production was 571,438 barrels of oil, 16,556,700 thousand cubic feet, or Mcf, of natural gas, and 23,672,150 gallons of natural gas liquids, or NGLs, for a total of 3,894,511 BOE as compared to 590,187 barrels of oil, 2,981,632 Mcf of natural gas and 4,480,667 gallons of NGLs, or 1,193,808 BOE, for the three months ended September 30, 2013. Our total net production averaged approximately 42,332 BOE per day during the three months ended September 30, 2014 as compared to 12,976 BOE per day during the same period in 2013. The 226% increase in production is largely the result of the development of our Utica Shale acreage.

Utica Shale. As of November 1, 2014, we had acquired leasehold interests in approximately 185,000 gross (184,000 net) acres in the Utica Shale in Eastern Ohio, including the approximately 8,000 net acres acquired from Rhino during the first quarter of 2014. From January 1, 2014 through November 1, 2014, we spud 72 gross (56.1 net) wells, of which 22 were producing, two were non-productive, 41 were in various stages of completion and seven were still being drilled at November 1, 2014. In addition, 20 gross (2.6 net) wells were drilled by other operators on our Utica Shale acreage during the three months ended September 30, 2014.

As of November 1, 2014, we had eight rigs under contract on our Utica Shale acreage. We currently intend to spud 85 to 95 gross (68 to 76 net) wells on our Utica Shale acreage in 2014.

Aggregate net production from our Utica Shale acreage during the three months ended September 30, 2014 was approximately 3,507,325 net BOE, or 38,123 BOE per day, 78% of which was from natural gas and 22% of which was from oil and natural gas liquids, or NGLs. During October 2014, our average daily net production from the Utica Shale was approximately 51,122 BOE, 79% of which was from natural gas and 21% of which was from oil and NGLs. The increase in October production was a result of our drilling activity on our Utica Shale acreage.

WCBB. From January 1, 2014 through November 1, 2014, we recompleted 77 wells and spud 24 wells. Of the 24 new wells spud at WCBB, 13 were completed as producing wells, five were non-productive, five were waiting on completion and one was being drilled at November 1, 2014. During 2014, we currently anticipate we will spud 24 wells at our WCBB field.

Aggregate net production from the WCBB field during the three months ended September 30, 2014 was approximately 251,102 BOE, or an average of 2,729 BOE per day, 100% of which was from oil. During October 2014, our average net daily production at WCBB was approximately 3,378 BOE, 100% of which was from oil. The increase in October production was a result of our drilling and recompletion activity in our WCBB field.

East Hackberry Field. From January 1, 2014 through November 1, 2014, we recompleted 51 wells and spud 14 wells. Of the 14 new wells drilled at East Hackberry, 12 were completed as producing wells, one was waiting on completion and one was being drilled at November 1, 2014. During 2014, we currently anticipate we will spud 14 wells.

Aggregate net production from the East Hackberry field during the three months ended September 30, 2014 was approximately 111,424 BOE, or an average of 1,211 BOE per day, 91% of which was from oil and 9% of which was from natural gas. During October 2014, our average net daily production at East Hackberry was approximately 1,123 BOE, 80% of which was from oil and 20% of which was from natural gas. The decrease in October production is primarily the result of natural production declines.

West Hackberry Field. From January 1, 2014 through November 1, 2014, we recompleted two wells and spud one new well.

Aggregate net production from the West Hackberry field was approximately 9,848 BOE, or an average of 107 BOE per day, 100% of which was from oil. During October 2014, our average net daily production at West Hackberry was approximately 157 BOE, 96% of which was from oil and 4% of which was from natural gas.

Niobrara Formation. Effective as of April 1, 2010, we acquired leasehold interests in the Niobrara Formation in Northwestern Colorado and, as of September 30, 2014, we held leases for approximately 5,900 net acres. From January 1, 2014 through November 1, 2014, there were no wells spud on our Niobrara Formation acreage. Aggregate net production from our

Niobrara Formation acreage during the three months ended September 30, 2014 was approximately 4,224 BOE, or an average of 46 BOE per day, 100% of which was from oil. During October 2014, our average net daily production from our Niobrara Formation acreage was approximately 62 BOE, 100% of which was from oil. During 2014, we currently do not anticipate drilling any wells in the Niobrara Formation.

Bakken. As of September 30, 2014, we held approximately 864 net acres in the Bakken Formation of Western North Dakota and Eastern Montana with interests in 18 wells and overriding royalty interests in certain existing and future wells. Aggregate net production from this acreage during the three months ended September 30, 2014 was approximately 10,398 BOE, or an average of 113 BOE per day, of which 90% was from oil, 8% was from natural gas and 2% was from NGLs. During October 2014, our average daily net production from our Bakken Formation acreage was approximately 106 BOE, of which 89% was from oil and 11% was from natural gas.

2014 Updates Regarding Our Equity Investments

Permian Basin. On October 11, 2012, we contributed to Diamondback, prior to the closing of the Diamondback IPO, all of our oil and natural gas interests in the Permian Basin. At the closing of this contribution, Diamondback issued to us (i) 7,914,036 shares of Diamondback common stock and (ii) a promissory note for $63.6 million, which was repaid to us at the closing of the Diamondback IPO on October 17, 2012. This aggregate consideration was subject to a post-closing cash adjustment based on changes in the working capital, long-term debt and certain other items of a Diamondback subsidiary as of the date of this contribution. In January 2013, we received an additional payment from Diamondback of $18.6 million as a result of this post-closing adjustment. In June and November of 2013, we sold 2,234,536 and 2,300,000 shares of our Diamondback common stock, respectively, and received aggregate net proceeds of approximately $192.7 million. In June and September of 2014, we sold 1,000,000 and 1,437,500 shares of our Diamondback common stock, respectively, and received aggregate net proceeds of approximately $197.6 million. As of September 30, 2014, we owned approximately 942,000 shares representing approximately 1.7% of Diamondback's outstanding common stock. Our investment in Diamondback is accounted for as an equity method investment.

Grizzly Oil Sands. We, through our wholly-owned subsidiary Grizzly Holdings Inc., own a 24.9% interest in Grizzly. The remaining interest in Grizzly is owned by Grizzly Oil Sands Inc. As of September 30, 2014, Grizzly had over 800,000 net acres under lease in the Athabasca and Peace River oil sands regions of Alberta, Canada and had three oil sands projects in various stages of development. Initiation of steam injection at its first project, Algar Lake Phase 1, commenced in January 2014 and first bitumen production was achieved during the second quarter of 2014. Bitumen production during the third quarter of 2014 continued to progress and production at Algar Lake is anticipated to reach its 6,000 bbl/d peak production rate by mid-2015. Substantially all of third quarter 2014 production was loaded on to rail at Grizzly’s Windell, Alberta rail terminal and shipped to U.S. Gulf Coast customers. In the first quarter of 2012, Grizzly acquired the May River property comprising approximately 47,000 acres. An initial 12,000 barrel per day development application was filed with the regulatory authorities in the fourth quarter of 2013, covering the eastern portion of the May River lease. The development application continues to move through the regulatory process and is on track for approval by mid-2015. In the first quarter of 2014, a 2D seismic program covering approximately 83 kilometers was completed to more fully define the resource over the remaining lease beyond the development application area. At the Thickwood thermal project, a development application for a 12,000 barrel per day oil sands project was filed in the fourth quarter of 2012. Since then, the Alberta Energy Regulator (“AER”) announced it is implementing a policy for future regulatory requirements for reservoir containment in shallow SAGD areas, which impacts the Thickwood application. Additional work to advance the Thickwood application will be required and is expected to be addressed once the May River development approval is received.

Thailand. We own a 23.5% ownership interest in Tatex Thailand II, LLC, or Tatex II. Tatex II, a privately held entity, holds 85,122 of the 1,000,000 outstanding shares of APICO, an international oil and gas exploration company. APICO has a reserve base located in Southeast Asia through its ownership of concessions covering approximately 243,000 acres which includes the Phu Horm Field. Our investment is accounted for on the equity method. Tatex II accounts for its investment in APICO using the cost method. Hess Corporation, or Hess, operates the field with a 35% interest. Other interest owners include APICO (35% interest), PTT Exploration and Production Public Company Limited (20% interest) and ExxonMobil (10% interest). Our gross working interest (through Tatex II as a member of APICO) in the Phu Horm field is 0.7%. Since our ownership in the Phu Horm field is indirect and Tatex II's investment in APICO is accounted for by the cost method, these reserves are not included in our year-end reserve information.

We own a 17.9% ownership interest in Tatex Thailand III, LLC, or Tatex III. Tatex III owns a concession covering approximately 245,000 acres in Southeast Asia. In 2009, Tatex III completed a 3-D seismic survey on this concession. In October 2013, Tatex III spud the TEW-K well, located to the south of the TEW-E well. The well tested gas at non-commercial rates. During drilling, the well flowed gas with rates as high as 20 MMcf per day of gas; however, no acceptable sustainable rate was established.

Other Investments. In an effort to facilitate the development of our Utica Shale and other domestic acreage, we have invested in entities that can provide services that are required to support our operations. In the first quarter of 2013, we participated in the formation of Stingray Energy Services LLC, or Stingray Energy, with an initial ownership interest of 50%. Stingray Energy provides rental tools for land-based oil and natural gas drilling, completion and workover activities as well as the transfer of fresh water to wellsites. In 2012, we participated in the formation of Stingray Pressure Pumping LLC, or Stingray Pressure, Stingray Cementing LLC, or Stingray Cementing, and Stingray Logistics LLC, or Stingray Logistics, with an initial ownership interest in each entity of 50%. These entities provide well completion and other well services. In 2012, we also participated in the formation of Blackhawk Midstream LLC, or Blackhawk, and Timber Wolf Terminals LLC, or Timber Wolf, with an initial ownership interest of 50% in each entity. Blackhawk coordinates gathering, compression, processing and marketing activities in connection with the development of our Utica Shale acreage and Timber Wolf will operate a crude/condensate terminal and a sand transloading facility in Ohio. Also in 2012, we acquired a 22.5% equity interest in Windsor Midstream LLC which owns a 28.4% equity interest in a gas processing plant in West Texas. In 2011 and 2012, we acquired an aggregate 40% equity interest in Bison Drilling and Field Services LLC, or Bison, which owns and operates drilling rigs and related equipment. Also in 2011, we acquired a 25% interest in Muskie Proppant LLC, or Muskie, which is engaged in the processing and sale of hydraulic fracturing grade sand. In 2014, we participated in the formation of Sturgeon Acquisitions LLC, or Sturgeon, with an initial ownership interest of 25%. Sturgeon owns and operates sand mines that produce hydraulic fracturing grade sand. We continue to evaluate the possibility of contributing our interests in Stingray Energy, Stingray Pressure Pumping, Bison, Muskie and possibly other entities to a newly formed limited partnership. The holders of the other interests in these entities would also contribute their interests in these and other entities to the limited partnership which would undertake an initial public offering. A registration statement on Form S-1, as amended, has been filed with the SEC in connection with the contemplated offering, and we may choose to pursue the initial public offering of some or all of these entities later this year or in 2015 subject to market conditions. See Note 3 to our consolidated financial statements included elsewhere in this report for additional information regarding these other investments.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We have identified certain of these policies as being of particular importance to the portrayal of our financial position and results of operations and which require the application of significant judgment by our management. We analyze our estimates including those related to oil and natural gas properties, revenue recognition, income taxes and commitments and contingencies, and base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Oil and Natural Gas Properties. We use the full cost method of accounting for oil and natural gas operations. Accordingly, all costs, including non-productive costs and certain general and administrative costs directly associated with acquisition, exploration and development of oil and natural gas properties, are capitalized. 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 the 12-month unweighted average of the first-day-of-the-month price for the prior twelve months, 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, including related deferred taxes for differences between the book and tax basis of the oil and natural gas properties. If the net book value, including related deferred taxes, exceeds the ceiling, an impairment or noncash writedown is required. Such capitalized costs, including the estimated future development costs and site remediation costs of proved undeveloped properties 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. No gain or loss is recognized upon the disposal of oil and natural gas properties, unless such dispositions significantly alter the relationship between capitalized costs and proven oil and natural gas reserves. Oil and natural gas properties not subject to amortization consist of the cost of undeveloped leaseholds and totaled $1.5 billion at September 30, 2014 and $950.6 million at December 31, 2013. These costs are reviewed quarterly by management for impairment, with the impairment provision included in the cost of oil and natural gas properties subject to amortization. Factors considered by management in its impairment assessment include our drilling results and those of other operators, the terms of oil and natural gas leases not held by production and available funds for exploration and development.

Ceiling Test. 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 the 12-month unweighted average of the first-day-of-the-month price for the prior twelve months of the applicable year beginning with 2009, 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, including related deferred taxes for differences between the book and tax basis of the oil and natural gas properties. If the net book value, including related deferred taxes, exceeds the ceiling, an impairment or noncash writedown is required. Ceiling test impairment can give us a significant loss for a particular period; however, future depletion expense would be reduced. A decline in oil and gas prices may result in an impairment of oil and gas properties. For instance, as a result of the drop in commodity prices on December 31, 2008 and subsequent reduction in our proved reserves, we recognized a ceiling test impairment of $272.7 million for the year ended December 31, 2008. If prices of oil, natural gas and natural gas liquids decline, we may be required to further write down the value of our oil and gas properties, which could negatively affect our results of operations. No ceiling test impairment was required for the quarter ended September 30, 2014.

Asset Retirement Obligations. We have obligations to remove equipment and restore land at the end of oil and gas production operations. Our removal and restoration obligations are primarily associated with plugging and abandoning wells and associated production facilities.

We account for abandonment and restoration liabilities under FASB ASC 410 which requires us to record a liability equal to the fair value of the estimated cost to retire an asset. The asset retirement liability is recorded in the period in which the obligation meets the definition of a liability, which is generally when the asset is placed into service. When the liability is initially recorded, we increase the carrying amount of the related long-lived asset by an amount equal to the original liability. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related long-lived asset. Upon settlement of the liability or the sale of the well, the liability is reversed. These liability amounts may change because of changes in asset lives, estimated costs of abandonment or legal or statutory remediation requirements.

The fair value of the liability associated with these retirement obligations is determined using significant assumptions, including current estimates of the plugging and abandonment or retirement, annual inflations of these costs, the productive life of the asset and our risk adjusted cost to settle such obligations discounted using our credit adjustment risk free interest rate. Changes in any of these assumptions can result in significant revisions to the estimated asset retirement obligation. Revisions to the asset retirement obligation are recorded with an offsetting change to the carrying amount of the related long-lived asset, resulting in prospective changes to depreciation, depletion and amortization expense and accretion of discount. Because of the subjectivity of assumptions and the relatively long life of most of our oil and natural gas assets, the costs to ultimately retire these assets may vary significantly from previous estimates.

Oil and Gas Reserve Quantities. Our estimate of proved reserves is based on the quantities of oil and natural gas that engineering and geological analysis demonstrate, with reasonable certainty, to be recoverable from established reservoirs in the future under current operating and economic parameters. Netherland, Sewell & Associates, Inc., Ryder Scott Company, L.P. and to a lesser extent our personnel have prepared reserve reports of our reserve estimates at December 31, 2013 on a well-by-well basis for our properties.

Reserves and their relation to estimated future net cash flows impact our depletion and impairment calculations. As a result, adjustments to depletion and impairment are made concurrently with changes to reserve estimates. Our reserve estimates and the projected cash flows derived from these reserve estimates have been prepared in accordance with the guidelines of the Securities and Exchange Commission, or SEC. The accuracy of our reserve estimates is a function of many factors including the following:

- the quality and quantity of available data;
- the interpretation of that data;
- the accuracy of various mandated economic assumptions; and
- the judgments of the individuals preparing the estimates.

Our proved reserve estimates are a function of many assumptions, all of which could deviate significantly from actual results. Therefore, reserve estimates may materially vary from the ultimate quantities of oil and natural gas eventually recovered.

Income Taxes. We use the asset and liability method of accounting for income taxes, under which deferred tax assets and liabilities are recognized for the future tax consequences of (1) temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and (2) operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are based on enacted tax rates applicable to the future period when those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income during the period the rate change is enacted. Deferred tax assets are recognized in the year in which realization becomes determinable. Periodically, management performs a forecast of its taxable income to determine whether it is more likely than not that a valuation allowance is needed, looking at both positive and negative factors. A valuation allowance for our deferred tax assets is established, if in management's opinion, it is more likely than not that some portion will not be realized. At September 30, 2014, a valuation allowance of $2.6 million had been provided for state net operating loss and federal tax credit deferred tax assets based on the uncertainty these assets may be realized.

Revenue Recognition. We derive almost all of our revenue from the sale of crude oil and natural gas produced from our oil and gas properties. Revenue is recorded in the month the product is delivered to the purchaser. We receive payment on substantially all of these sales from one to three months after delivery. At the end of each month, we estimate the amount of production delivered to purchasers that month and the price we will receive. Variances between our estimated revenue and actual payment received for all prior months are recorded at the end of the quarter after payment is received. Historically, our actual payments have not significantly deviated from our accruals.

Investments—Equity Method. Investments in entities greater than 20% and less than 50% and/or investments in which we have significant influence are accounted for under the equity method. Under the equity method, our share of investees' earnings or loss is recognized in the statement of operations. In accordance with FASB ASC 825*, "Financial Instruments,"* we have elected the fair value option of accounting for our equity method investment in Diamondback's stock. At the end of each reporting period, the quoted closing market price of Diamondback's stock is multiplied by the total shares owned by us and the resulting gain or loss is recognized in (income) loss from equity method investments in the consolidated statements of operations.

We review our investments to determine if a loss in value which is other than a temporary decline has occurred. If such loss has occurred, we recognize an impairment provision. There was no impairment of equity method investments at September 30, 2014 and December 31, 2013.

Commitments and Contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation or other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. We are involved in certain litigation for which the outcome is uncertain. Changes in the certainty and the ability to reasonably estimate a loss amount, if any, may result in the recognition and subsequent payment of legal liabilities.

Derivative Instruments and Hedging Activities. We seek to reduce our exposure to unfavorable changes in oil and natural gas prices by utilizing energy swaps and collars, or fixed-price contracts. We follow the provisions of FASB ASC 815, "*Derivatives and Hedging*," as amended. It requires that all derivative instruments be recognized as assets or liabilities in the balance sheet, measured at fair value. We estimate the fair value of all derivative instruments using established index prices and other sources. These values are based upon, among other things, futures prices, correlation between index prices and our realized prices, time to maturity and credit risk. The values reported in the financial statements change as these estimates are revised to reflect actual results, changes in market conditions or other factors.

The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. Designation is established at the inception of a derivative, but re-designation is permitted. For derivatives designated as cash flow hedges and meeting the effectiveness guidelines of FASB ASC 815, changes in fair value are recognized in accumulated other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is measured at least quarterly based on the relative changes in fair value between the derivative contract and the hedged item over time. We recognize any change in fair value resulting from ineffectiveness immediately in earnings. There were no hedges designated as cash flow hedges during the three months ended September 30, 2014 as all of our current hedges were deemed ineffective at inception.

RESULTS OF OPERATIONS

Comparison of the Three Months Ended September 30, 2014 and 2013

We reported net income of $6.9 million for the three months ended September 30, 2014 as compared to $40.5 million for the three months ended September 30, 2013. This 83% decrease in period-to-period net income was due primarily to a $32.4 million loss recognized from our equity method investment in Diamondback as compared to a $52.9 million gain for the three months ended September 30, 2013, a 24% decrease in realized BOE prices to $43.75 from $57.65, a $4.6 million increase in lease operating expenses, a $15.1 million increase in midstream processing and marketing expenses and a $3.6 million increase in general and administrative expenses, partially offset by a 226% increase in net production to 3,894,511 BOE from 1,193,808 BOE and an $18.5 million decrease in income tax expense for the three months ended September 30, 2014 as compared to the three months ended September 30, 2013.

Oil and Gas Revenues. For the three months ended September 30, 2014, we reported oil and natural gas revenues of $170.4 million as compared to oil and natural gas revenues of $68.8 million during the same period in 2013. This $101.6 million, or 148%, increase in revenues was primarily attributable to a 226% increase in net production to 3,894,511 BOE from 1,193,808 BOE, partially offset by a 24% decrease in realized BOE prices to $43.75 from $57.65 due to a shift in our production mix toward natural gas and NGLs for the three months ended

September 30, 2014 as compared to the three months ended September 30, 2013.

The following table summarizes our oil and natural gas production and related pricing for the three months ended September 30, 2014, as compared to such data for the three months ended September 30, 2013:

	Three months ended September 30,	
	2014	2013
Oil production volumes (MBbls)	571	590
Gas production volumes (MMcf)	16,557	2,982
Natural gas liquids production volumes (MGal)	23,672	4,481
Oil equivalents (MBOE)	3,895	1,194
Average oil price (per Bbl)	$ 101.84	$ 89.75
Average gas price (per Mcf)	$ 5.14	$ 3.61
Average natural gas liquids (per Gal)	$ 1.14	$ 1.14
Oil equivalents (per BOE)	$ 43.75	$ 57.65

Lease Operating Expenses. Lease operating expenses, or LOE, not including production taxes increased to $11.9 million for the three months ended September 30, 2014 from $7.3 million for the three months ended September 30, 2013. This increase was mainly the result of an increase in expenses related to contract pumpers, contract labor and field supervision, environmental services, location repairs, rentals and salt water disposal.

Production Taxes. Production taxes decreased $1.9 million to $5.2 million for the three months ended September 30, 2014 from $7.1 million for the three months ended September 30, 2013. This decrease was related to changes in our product mix and production location.

Midstream Processing and Marketing Expenses. Midstream processing and marketing expenses increased by $15.1 million to $18.7 million for the three months ended September 30, 2014 from $3.6 million for the same period in 2013. This increase was primarily attributable to midstream expenses related to our increased production volumes in the Utica Shale resulting from our 2013 and 2014 drilling activities.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization, or DD&A, expense increased to $72.4 million for the three months ended September 30, 2014, and consisted of $72.0 million in depletion of oil and natural gas properties and $0.4 million in depreciation of other property and equipment, as compared to total DD&A expense of $30.7 million for the three months ended September 30, 2013. This increase was due to an increase in our full cost pool as a result of our capital activities as well as an increase in our production, partially offset by an increase in our total proved reserves volume used to calculate our total DD&A expense.

General and Administrative Expenses. Net general and administrative expenses increased to $8.9 million for the three months ended September 30, 2014 from $5.3 million for the three months ended September 30, 2013. This $3.6 million increase was due to an increase in salaries, stock compensation expenses and benefits resulting from an increased number of employees, increases in computer support, franchise taxes, travel expense and bank fees, partially offset by an increase in general and administrative costs related to exploration and development activity capitalized to the full cost pool.

Accretion Expense. Accretion expense remained relatively flat at $0.2 million for the three months ended September 30, 2014 and 2013.

Interest Expense. Interest expense increased to $5.7 million for the three months ended September 30, 2014 from $2.6 million for the three months ended September 30, 2013 due primarily to the issuance of $300.0 million in additional 7.75% Senior Notes due 2020 and increased borrowings under our revolving credit facility. On August 18, 2014, we issued $300.0 million aggregate principal amount of our 7.75% Senior Notes due 2020, a portion of the net proceeds from which was used to repay all outstanding borrowings under our revolving credit facility. Total weighted debt outstanding under our revolving credit facility was $36.8 million for the three months ended September 30, 2014 as compared to no borrowings outstanding under such facility for the same period in 2013. As of September 30, 2014 and 2013, we had no debt outstanding under our revolving credit facility. Additionally, we capitalized approximately $3.4 million and $3.5 million in interest expense to undeveloped oil and natural gas properties during the three months ended September 30, 2014 and September 30, 2013, respectively. This increase in capitalized interest in the 2014 period was the result of an increase in our undeveloped oil and natural gas properties.

Income Taxes. As of September 30, 2014, we had a state net operating loss carry forward of approximately $41.7 million, in addition to numerous temporary differences, which gave rise to a net deferred tax liability. Periodically, management performs a forecast of our taxable income to determine whether it is more likely than not that a valuation allowance is needed, looking at both positive and negative factors. A valuation allowance for our deferred tax assets is established if, in management's opinion, it is more likely than not that some portion will not be realized. At September 30, 2014, a valuation allowance of $2.6 million had been provided for state net operating loss and federal tax credit deferred tax assets based on the uncertainty these assets may be realized. We recognized an income tax expense of $4.9 million for the three months ended September 30, 2014.

Comparison of the Nine Months Ended September 30, 2014 and 2013

We reported net income of $137.3 million for the nine months ended September 30, 2014 as compared to $128.9 million for the nine months ended September 30, 2013. This 7% increase in period-to-period net income was due primarily to $84.8 million of income recognized from our equity method investment in Blackhawk, $89.3 million of income recognized from our equity method investment in Diamondback and a 239% increase in net production to 8,764,317 BOE from 2,584,651 BOE, partially offset by a 39% decrease in realized BOE prices to $45.95 from $75.02, a $17.8 million increase in lease operating expenses, a $31.4 million increase in midstream processing and marketing expenses, a $14.2 million increase in general and administrative expenses, an expense of $25.5 million for litigation settlements and an $8.5 million increase in income tax expense for the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013.

Oil and Gas Revenues. For the nine months ended September 30, 2014, we reported oil and natural gas revenues of $402.7 million as compared to oil and natural gas revenues of $193.9 million during the same period in 2013. This $208.8 million, or 108%, increase in revenues was primarily attributable to a 239% increase in net production to 8,764,317 BOE from 2,584,651 BOE, partially offset by a 39% decrease in realized BOE prices to $45.95 from $75.02 due to a shift in our production mix toward natural gas and NGLs.

The following table summarizes our oil and natural gas production and related pricing for the nine months ended September 30, 2014, as compared to such data for the nine months ended September 30, 2013:

	Nine months ended September 30,			
	2014		2013	
Oil production volumes (MBbls)		2,008		1,642
Gas production volumes (MMcf)		33,191		4,716
Natural gas liquids production volumes (MGal)		51,446		6,565
Oil equivalents (MBOE)		8,764		2,585
Average oil price (per Bbl)	$	99.45	$	101.72
Average gas price (per Mcf)	$	4.19	$	4.03
Average natural gas liquids (per Gal)	$	1.25	$	1.19
Oil equivalents (per BOE)	$	45.95	$	75.02

Lease Operating Expenses. Lease operating expenses, or LOE, not including production taxes increased to $36.2 million for the nine months ended September 30, 2014 from $18.3 million for the nine months ended September 30, 2013. This increase was mainly the result of an increase in expenses related to contract pumpers, contract labor and field supervision, compressor rental and repairs, insurance, environmental services, location repairs, rentals and salt water disposal.

Production Taxes. Production taxes decreased $1.6 million to $18.8 million for the nine months ended September 30, 2014 from $20.4 million for the same period in 2013. This decrease was primarily related to changes in our product mix and production location.

Midstream Processing and Marketing Expenses. Midstream processing and marketing expenses increased by $31.4 million to $37.3 million for the nine months ended September 30, 2014 from $5.9 million for the same period in 2013. This increase was primarily attributable to midstream expenses related to our increased production volumes in the Utica Shale resulting from our 2013 and 2014 drilling activities.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization, or DD&A, expense increased to $185.3 million for the nine months ended September 30, 2014, and consisted of $184.3 million in depletion of oil and natural gas properties and $1.0 million in depreciation of other property and equipment, as compared to total DD&A expense of $81.8 million for the nine months ended September 30, 2013. This increase was due to an increase in our full cost pool as a result of our capital activities as well as an increase in our production, partially offset by an increase in our total proved reserves volume used to calculate our total DD&A expense.

General and Administrative Expenses. Net general and administrative expenses increased to $28.8 million for the nine months ended September 30, 2014 from $14.6 million for the nine months ended September 30, 2013. This $14.2 million increase was due to an increase in salaries, stock compensation expenses and benefits resulting from an increased number of employees, increases in corporate fees, computer support, travel expense, consulting fees, bank fees and franchise tax expense, partially offset by an increase in general and administrative costs related to exploration and development activity capitalized to the full cost pool.

Accretion Expense. Accretion expense increased slightly to $0.6 million for the nine months ended September 30, 2014 from $0.5 million for the same period in 2013.

Interest Expense. Interest expense increased to $12.0 million for the nine months ended September 30, 2014 from $9.4 million for the nine months ended September 30, 2013 due primarily to the issuance of $300.0 million in additional 7.75% Senior Notes due 2020 and increased borrowings under our revolving credit facility. On August 18, 2014, we issued $300.0 million aggregate principal amount of our 7.75% Senior Notes due 2020, a portion of the net proceeds from which was used to repay all outstanding borrowings under our revolving credit facility. Total weighted debt outstanding under our revolving credit facility was $17.2 million for the nine months ended September 30, 2014 as compared to no borrowings outstanding under such facility for the same period in 2013. As of September 30, 2014 and 2013, we had no debt outstanding under our revolving credit facility. Additionally, we capitalized approximately $9.6 million and $9.0 million in interest expense to undeveloped oil and natural gas properties during the nine months ended September 30, 2014 and September 30, 2013, respectively. This increase in capitalized interest during the 2014 period was the result of an increase in our undeveloped oil and natural gas properties.

Income Taxes. As of September 30, 2014, we had a state net operating loss carry forward of approximately $41.7 million, in addition to numerous temporary differences, which gave rise to a net deferred tax liability. Periodically, management performs a forecast of our taxable income to determine whether it is more likely than not that a valuation allowance is needed, looking at both positive and negative factors. A valuation allowance for our deferred tax assets is established if, in management's opinion, it is more likely than not that some portion will not be realized. At September 30, 2014, a valuation allowance of $2.6 million had been provided for state net operating loss and federal tax credit deferred tax assets based on the uncertainty these assets may be realized. We recognized income tax expense of $85.6 million for the nine months ended September 30, 2014.

Liquidity and Capital Resources

Overview. Historically, our primary sources of funds have been cash flow from our producing oil and natural gas properties, borrowings under our credit facility and the issuances of equity and debt securities. Our ability to access any of these sources of funds can be significantly impacted by decreases in oil and natural gas prices or oil and natural gas production. In 2013, we received an aggregate of $733.8 million from the sale of shares of our common stock. In addition, we received an aggregate of $192.7 million in net proceeds from the sale of shares of our Diamondback common stock in 2013.

On June 24, 2014, we sold 1,000,000 shares of our Diamondback common stock in an underwritten public offering. The shares were sold to the public at $90.04 per share and we received net proceeds of approximately $89.1 million from the sale of our shares of Diamondback common stock in this offering. In addition, on September 18, 2014 we sold 1,437,500 shares of our Diamondback common stock in an underwritten public offering. The shares were sold to the public at $75.44 per share and we received net proceeds of approximately $108.5 million from the sale of our shares of Diamondback common stock in this offering.

Net cash flow provided by operating activities was $285.9 million for the nine months ended September 30, 2014 as compared to net cash flow provided by operating activities of $141.0 million for the same period in 2013. This increase was primarily the result of an increase in cash receipts from our oil and natural gas purchasers due to a 239% increase in our net BOE production and proceeds of $84.8 million from the sale of Blackhawk's equity interest in Ohio Gathering Company, LLC and Ohio Condensate Company, LLC, partially offset by a 39% decrease in net realized BOE prices.

Net cash used in investing activities for the nine months ended September 30, 2014 was $904.0 million as compared to $570.8 million for the same period in 2013. During the nine months ended September 30, 2014, we spent $1.0 billion in additions to oil and natural gas properties, of which $297.6 million was spent on our 2014 drilling and recompletion programs, $304.5 million was spent on expenses attributable to the wells drilled and recompleted during 2013, $5.9 million was spent on compressors and other facility enhancements, $5.5 million was spent on plugging costs, $200.1 million was spent on lease related costs, primarily the acquisition of leases in the Utica Shale and $176.3 million was spent on the acquisition of producing properties and non-producing leasehold interests in the Rhino acquisition, with the remainder attributable mainly to capitalized general and administrative expenses. In addition, $16.6 million was invested in Grizzly and $45.2 million was invested in our other equity investments during the nine months ended September 30, 2014. We also received approximately $197.6 million from the sale of shares of our Diamondback common stock during the nine months ended September 30, 2014. During the nine months ended September 30, 2014, we used cash from operations and proceeds from our 2013 equity offerings for our investing activities.

Net cash provided by financing activities for the nine months ended September 30, 2014 was $312.1 million as compared to net cash provided by financing activities of $358.2 million for the same period in 2013. The 2014 amount provided by financing activities is primarily attributable to the issuance of $300.0 million of Senior Notes.

Credit Facility. On December 27, 2013, we entered into an Amended and Restated Credit Agreement with The Bank of Nova Scotia, as administrative agent, sole lead arranger and sole bookrunner, Amegy Bank National Association, as syndication agent, KeyBank National Association, as documentation agent, and the other lenders, which we refer to as the amended and restated credit agreement. The amended and restated credit agreement provides for a maximum facility amount of $1.5 billion and matures on June 6, 2018.

On April 23, 2014, we entered into a first amendment to the amended and restated credit agreement. The first amendment increased the letter of credit sublimit from $20.0 million to $70.0 million and provided for an increase in the borrowing base availability from $150.0 million to $275.0 million. The first amendment also made certain changes to the lenders and their respective lending commitments thereunder. As of September 30, 2014, we had no borrowings outstanding under our revolving credit facility.

In connection with our fall redetermination under our revolving credit facility, our lead lender has proposed to increase our borrowing base from $275.0 million to $450.0 million, subject to the approval of the additional banks within the syndicate.

As of September 30, 2014, total funds available under our amended and restated credit agreement, after giving effect to an aggregate of $41.7 million of letters of credit, was $233.3 million. This facility is secured by substantially all of our assets. Our wholly-owned subsidiaries guarantee our obligations under our revolving credit facility.

Advances under our revolving credit facility, as amended, may be in the form of either base rate loans or eurodollar loans. The interest rate for base rate loans is equal to (1) the applicable rate, which ranges from 0.50% to 1.50%, plus (2) the highest of: (a) the federal funds rate plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by agent as its “prime rate,” and (c) the eurodollar rate for an interest period of one month plus 1.00%. The interest rate for eurodollar loans is equal to (1) the applicable rate, which ranges from 1.50% to 2.50%, plus (2) the London interbank offered rate that appears on Reuters Screen LIBOR01 Page for deposits in U.S. dollars, or, if such rate is not available, the offered rate on such other page or service that displays the average British Bankers Association Interest Settlement Rate for deposits in U.S. dollars, or, if such rate is not available, the average quotations for three major New York money center banks of whom the agent shall inquire as the “London Interbank Offered Rate” for deposits in U.S. dollars.

Our amended and restated credit agreement contains customary negative covenants including, but not limited to, restrictions on our and our subsidiaries' ability to: incur indebtedness; grant liens; pay dividends and make other restricted payments; make investments; make fundamental changes; enter into swap contracts and forward sales contracts; dispose of assets; change the nature of their business; and enter into transactions with their affiliates. The negative covenants are subject to certain exceptions as specified in our revolving credit facility. Our revolving credit facility also contains certain affirmative covenants, including, but not limited to the following financial covenants: (1) the ratio of funded debt to EBITDAX (net income, excluding any non-cash revenue or expense associated with swap contracts resulting from ASC 815, plus without duplication and to the extent deducted from revenues in determining net income, the sum of (a) the aggregate amount of consolidated interest expense for such period, (b) the aggregate amount of income, franchise, capital or similar tax expense (other than ad valorem taxes) for such period, (c) all amounts attributable to depletion, depreciation, amortization and asset or goodwill impairment or writedown for such period, (d) all other non-cash charges, (e) non-cash losses from minority investments, (f) actual cash distributions received from minority investments, (g) to the extent actually reimbursed by insurance, expenses with respect to liability on casualty events or business interruption, and (h) all reasonable transaction expenses related to dispositions and acquisitions of assets, investments and debt and equity offerings, and less non-cash income attributable to equity income from minority investments) for a twelve-month period may not be greater than 2.00 to 1.00; and (2) the ratio of EBITDAX to interest expense for a twelve-month period may not be less than 3.00 to 1.00. We were in compliance with these financial covenants at September 30, 2014.

Senior Notes. On October 17, 2012, we issued $250.0 million in aggregate principal amount of our 7.75% Senior Notes due 2020, or the October Notes, to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act under an indenture among us, our subsidiary guarantors and Wells Fargo Bank, National Association, as the trustee. On December 21, 2012, we issued an additional $50.0 million in aggregate principal amount of our 7.75% Senior Notes due 2020, or the December Notes, to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The December Notes were issued as additional securities under the existing senior note indenture. On August 18, 2014, we issued an additional $300.0 million in aggregate principal amount of our 7.75% Senior Notes due 2020, or the August Notes, to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The August Notes were issued as additional securities under the existing senior note indenture.

In October 2013, as required by the terms of the senior note indenture, we exchanged the October Notes and the December Notes for $300.0 million aggregate principal amount of 7.75% Senior Notes due 2020 having substantially identical terms except that the exchange notes, or the Exchange Notes, were registered under the Securities Act of 1933, as amended. We did not receive any proceeds from the issuance of the exchange note. The Exchange Notes and the October Notes are treated as a single class of debt securities under the senior note indenture and are referred to collectively herein as the "Notes". We used a portion of the net proceeds from the October Notes Offering to repay all amounts outstanding at such time under our revolving credit facility. We used the remaining net proceeds of the October Notes Offering and the net proceeds of the December Notes Offering for general corporate purposes, which includes funding a portion of our 2013 capital development plan. We used a portion of the net proceeds from the August Notes Offering to repay all amounts outstanding at such time under our revolving credit facility. We intend to use the remaining net proceeds of the August Notes Offering for general corporate purposes, which includes funding a portion of our 2014 and 2015 capital development plans.

Under the senior note indenture, interest on the Notes accrues at a rate of 7.75% per annum on the outstanding principal amount from October 17, 2012, payable semi-annually on May 1 and November 1 of each year, commencing on May 1, 2013. The Notes are senior unsecured obligations and rank equally in the right of payment with all of our other senior indebtedness and senior in right of payment to any of our future subordinated indebtedness. All of our existing and future restricted subsidiaries that guarantee our secured revolving credit facility or certain other debt guarantee the Notes, provided, however, that the Notes are not guaranteed by Grizzly Holdings, Inc. and will not be guaranteed by any of our future unrestricted subsidiaries. The guarantees rank equally in the right of payment with all of the senior indebtedness of the subsidiary guarantors and senior in the right of payment to any future subordinated indebtedness of the subsidiary guarantors. The Notes and the guarantees are effectively subordinated to all of our and the subsidiary guarantors' secured indebtedness (including all borrowings and other obligations under our amended and restated credit agreement) to the extent of the value of the collateral securing such indebtedness, and structurally subordinated to all indebtedness and other liabilities of any of our subsidiaries that do not guarantee the Notes.

We may redeem some or all of the Notes at any time on or after November 1, 2016, at the redemption prices listed in the senior note indenture. Prior to November 1, 2016, we may redeem the Notes at a price equal to 100% of the principal amount plus a “make-whole” premium. In addition, prior to November 1, 2015, we may redeem up to 35% of the aggregate principal amount of the Notes with the net proceeds of certain equity offerings, provided that at least 65% of the aggregate principal amount of the Notes initially issued remains outstanding immediately after such redemption.

If we experience a change of control (as defined in the senior note indenture), we will be required to make an offer to repurchase the Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. If we sell certain assets and fail to use the proceeds in a manner specified in the senior note indenture, we will be required to use the remaining proceeds to make an offer to repurchase the Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase.

The senior note indenture contains certain covenants that, subject to certain exceptions and qualifications, among other things, limit our ability and the ability of our restricted subsidiaries to incur or guarantee additional indebtedness, make certain investments, declare or pay dividends or make distributions on capital stock, prepay subordinated indebtedness, sell assets including capital stock of restricted subsidiaries, agree to payment restrictions affecting our restricted subsidiaries, consolidate, merge, sell or otherwise dispose of all or substantially all of our assets, enter into transactions with affiliates, incur liens, engage in business other than the oil and gas business and designate certain of our subsidiaries as unrestricted subsidiaries.

Capital Expenditures. Our recent capital commitments have been primarily for the execution of our drilling programs, for acquisitions (primarily in the Utica Shale), to fund Grizzly's delineation drilling program and initial preparation of the Algar Lake facility and for investments in entities that may provide services to facilitate the development of our acreage. Our strategy is to continue to (1) increase cash flow generated from our operations by undertaking new drilling, workover, sidetrack and recompletion projects to exploit our existing properties, subject to economic and industry conditions, (2) pursue acquisition and disposition opportunities and (3) pursue business integration opportunities.

Of our net reserves at December 31, 2013, 35.2% were categorized as proved undeveloped. 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 developed reserves, or both. To realize reserves and increase production, we must continue our exploratory drilling, undertake other replacement activities or use third parties to accomplish those activities.

From January 1, 2014 through November 1, 2014, we spud 72 gross (56.1 net) wells in the Utica Shale. We currently expect our 2014 capital expenditures to be $634.0 million to $676.0 million to spud 85 to 95 gross (68 to 76 net) wells on our Utica Shale acreage. In addition, we currently expect to spend $375.0 million to $425.0 million in 2014 to acquire additional acreage in the Utica Shale.

From January 1, 2014 through November 1, 2014, we recompleted 77 existing wells and spud 24 new wells at our WCBB field. We currently intend to spud 24 new wells during 2014 at our WCBB field for aggregate estimated drilling and recompletion expenditures during 2014 of $42.0 million to $45.0 million.

In our Hackberry fields, from January 1, 2014 through November 1, 2014, we recompleted 53 existing wells and spud 15 new wells. We currently intend to spud 15 wells in our Hackberry fields in 2014. Total capital expenditures for our Hackberry fields during 2014 are estimated to be approximately $24.0 million to $26.0 million.

From January 1, 2014 through November 1, 2014, no new wells were spud on our Niobrara Formation acreage. We do not currently anticipate any capital expenditures in the Niobrara Formation in 2014.

As of September 30, 2014, our net investment in Grizzly was approximately $189.2 million. Our capital requirements in 2014 related to Grizzly's activities are currently estimated to be approximately $15.0 million to $20.0 million.

We had capital expenditures of $1.6 million during the nine months ended September 30, 2014 related to our interests in Thailand. We do not currently anticipate any additional capital expenditures in Thailand in 2014.

In an effort to facilitate the development of our Utica Shale and other domestic acreage, we have invested in entities that can provide services that are required to support our operations. In the first quarter of 2013, we participated in the formation of Stingray Energy with an initial ownership interest of 50%. Stingray Energy provides rental tools for land-based oil and natural gas drilling, completion and workover activities as well as the transfer of fresh water to wellsites. In 2012, we participated in the formation of Stingray Pressure, Stingray Cementing and Stingray Logistics, with an initial ownership interest in each entity of 50%. These entities provide well completion and other well services. In 2012, we also participated in the formation of Blackhawk and Timber Wolf, with an initial ownership interest of 50% in each entity. Blackhawk coordinates gathering, compression, processing and marketing activities in connection with the development of our Utica Shale acreage and Timber Wolf will operate a crude/condensate terminal and a sand transloading facility in Ohio. Also in 2012, we acquired a 22.5% equity interest in Midstream which owns a 28.4% equity interest in a gas processing plant in West Texas. In 2011 and 2012, we acquired an aggregate 40% equity interest in Bison, which owns and operates drilling rigs and related equipment. Also in 2011, we acquired a 25% interest in Muskie, which is engaged in the processing and sale of hydraulic fracturing grade sand. In 2014, we participated in the formation of Sturgeon Acquisitions LLC, or Sturgeon, with an initial ownership interest of 25%. Sturgeon owns and operates sand mines that produce hydraulic fracturing grade sand. See Note 3 to our consolidated financial statements included elsewhere in this report for additional information regarding these other investments. In the year ended December 31, 2013, we invested approximately $10.0 million in these entities. In the nine months ended September 30, 2014, we invested approximately $43.5 million in these entities, and we expect to invest approximately $44.0 million to $45.0 million in these entities in 2014. We continue to evaluate the possibility of contributing our interests in Stingray Energy, Stingray Pressure Pumping, Bison, Muskie and possibly other entities to a newly formed limited partnership. The holders of the other interests in these entities would also contribute their interests in these and other entities to the limited partnership which would undertake an initial public offering. A registration statement on Form S-1, as amended, has been filed with the SEC in connection with the contemplated offering, and we may choose to pursue the initial public offering of some or all of these entities later this year or in 2015 subject to market conditions. In January 2014, Blackhawk completed the sale of its equity interests in Ohio Gathering Company, LLC and Ohio Condensate Company, LLC for a purchase price of $190.0 million, of which we received $84.8 million in net proceeds.

Our total capital expenditures for 2014 are currently estimated to be in the range of $715.0 million to $767.0 million. In addition, we currently expect to spend $375.0 million to $425.0 million in 2014 to acquire additional Utica Shale acreage, which includes the $184.0 million acquisition of approximately 8,000 net acres from Rhino in March 2014. Our total capital expenditures for the nine months ended September 30, 2014 were approximately $496.2 million, excluding our Utica shale acreage acquisition. Approximately 88% of our 2014 estimated capital expenditures are currently expected to be spent in the Utica Shale. This range is up from the $513.5 million spent on 2013 activities, excluding Utica leasehold acquisitions, primarily due to the significant increase in our acreage position in the Utica Shale and our contemplated Utica development plans. We intend to continue to monitor pricing and cost developments and make adjustments to our future capital expenditure programs as warranted.

We are carefully evaluating the current commodity price environment as we plan our capital programs for 2015. Based on our significant production growth in 2014, completion backlog and individual well performance under our managed pressure program, we believe that our cash on hand, cash flow from operations, sales of our Diamondback common stock, and borrowings under our amended and restated credit agreement will be sufficient to meet our normal recurring operating needs and capital requirements for the next twelve months. However, in the event we elect to further expand or accelerate our drilling program or pursue additional acquisitions, or Grizzly's oil sands projects are accelerated, we may be required to obtain additional funds which we would seek to do through traditional borrowings, offerings of debt or equity securities or other means, including the sale of assets. We regularly evaluate new acquisition opportunities. Needed capital may not be available to us on acceptable terms or at all. If we are unable to obtain funds when needed or on acceptable terms, we may be required to delay or curtail implementation of our business plan or not be able to complete acquisitions that may be favorable to us.

Commodity Price Risk

The volatility of the energy markets makes it extremely difficult to predict future oil and natural gas price movements with any certainty. For example, during the past six years, the West Texas Intermediate posted price for crude oil has ranged from a low of $30.28 per barrel in December 2008 to a high of $145.31 per barrel in July 2008. The Henry Hub spot market price of natural gas has ranged from a low of $1.83 per million British thermal units, or MMBtu, in September 2009 to a high of $13.31 per MMBtu in July 2008. On November 1, 2014, the West Texas Intermediate posted price for crude oil was $80.54 per barrel and the Henry Hub spot market price of natural gas was $3.78 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. To mitigate the effects of commodity price fluctuations on our oil and natural gas production, we have entered into certain fixed price swaps and swaptions. See Item 3. Quantitative and Qualitative Disclosures about Market Risk for information regarding our open fixed price swaps and swaptions at September 30, 2014.

Commitments

In connection with our acquisition in 1997 of the remaining 50% interest in the WCBB properties, we assumed the seller's (Chevron) obligation to contribute approximately $18,000 per month through March 2004, to a plugging and abandonment trust and the obligation to plug a minimum of 20 wells per year for 20 years commencing March 11, 1997. Chevron retained a security interest in production from these properties until our abandonment obligations to Chevron have been fulfilled. Beginning in 2009, we could access the trust for use in plugging and abandonment charges associated with the property, but have not yet done so. As of September 30, 2014, the plugging and abandonment trust totaled approximately $3.1 million. At September 30, 2014, we have plugged 404 wells at WCBB since we began our plugging program in 1997, which management believes fulfills our current minimum plugging obligation.

Contractual and Commercial Obligations

We have various contractual obligations in the normal course of our operations and financing activities. There have been no material changes to our contractual obligations from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

Off-balance Sheet Arrangements

We had no off-balance sheet arrangements as of September 30, 2014.

New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-08: *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* ASU 2014-08 changes the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other material disposal transactions that do not meet the revised definition of a discontinued operation. Under the updated standard, a disposal of a component or group of components of an entity is required to be reported as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component or group of components of the entity (1) has been disposed of by a sale, (2) has been disposed of other than by sale or (3) is classified as held for sale. The ASU is effective for annual and interim periods beginning after December 15, 2014, however, early adoption is permitted. We early adopted this ASU on a prospective basis beginning with the second quarter of 2014. The adoption did not have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the new standard is for the recognition of revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced revenue disclosures, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those years, using either a full or a modified retrospective application approach. We are in the process of evaluating the impact on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "*Presentation of Financial Statements - Going Concern (Subtopic 205-40).*" The new guidance addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and in certain circumstances to provide related footnote disclosures. The standard is effective for the annual period ending after December 15, 2016 and for annual and interim periods thereafter. Early adoption is permitted. We do not believe that the adoption of this guidance will have a material impact on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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, including: worldwide and domestic supplies of oil and natural gas; the level of prices, and expectations about future prices, of oil and natural gas; the cost of exploring for, developing, producing and delivering oil and natural gas; the expected rates of declining current production; weather conditions, including hurricanes, that can affect oil and natural gas operations over a wide area; the level of consumer demand; the price and availability of alternative fuels; technical advances affecting energy consumption; 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 and natural gas 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. For example, during the past six years, the West Texas Intermediate posted price for crude oil has ranged from a low of $30.28 per barrel, or Bbl, in December 2008 to a high of $145.31 per Bbl in July 2008. The Henry Hub spot market price of natural gas has ranged from a low of $1.83 per MMBtu in September 2009 to a high of $13.31 per MMBtu in July 2008. On November 1, 2014, the West Texas Intermediate posted price for crude oil was $80.54 per barrel and the Henry Hub spot market price of natural gas was $3.78 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.

To mitigate the effects of commodity price fluctuations on our oil and natural gas production, we had the following open fixed price swaps and swaptions at September 30, 2014:

	Volume (barrels per day)	Weighted Average Price ($ per Bbl)
Fixed Price Swaps:		
October 2014 - December 2014	2,000	$ 101.50

	Volume (MMBtu per day)	Weighted Average Price ($ per MMBtu)
Fixed Price Swaps and Swaptions:		
October 2014 - December 2014	155,000	$ 4.07
January 2015 - March 2015	175,000	$ 4.08
April 2015	185,000	$ 4.07
May 2015 - December 2015	195,000	$ 4.07
January 2016 - March 2016	135,000	$ 4.03
April 2016	125,000	$ 4.03
May 2016 - December 2016	30,000	$ 4.01

Under our 2014 contracts, we have hedged approximately 59% to 67% of our estimated 2014 production. Such arrangements may expose us to risk of financial loss in certain circumstances, including instances where production is less than expected or oil prices increase. These fixed price swaps are recorded at fair value pursuant to FASB ASC 815 and related pronouncements. At September 30, 2014, we had a net asset derivative position of $0.2 million as compared to a net liability derivative position of $4.0 million as of September 30, 2013, related to our fixed price swaps. Utilizing actual derivative contractual volumes, a 10% increase in underlying commodity prices would have reduced the fair value of these instruments by approximately $39.9 million, while a 10% decrease in underlying commodity prices would have increased the fair value of these instruments by approximately $39.9 million. However, any realized derivative gain or loss would be substantially offset by a decrease or increase, respectively, in the actual sales value of production covered by the derivative instrument.

Our revolving amended and restated credit agreement is structured under floating rate terms, as advances under this facility may be in the form of either base rate loans or eurodollar loans. As such, our interest expense is sensitive to fluctuations in the prime rates in the U.S. or, if the eurodollar rates are elected, the eurodollar rates. As of September 30, 2014, we had no variable interest rate borrowings outstanding; therefore, an increase in interest rates would not have impacted our interest expense. As of September 30, 2014, we did not have any interest rate swaps to hedge our interest risks.

ITEM 4. CONTROLS AND PROCEDURES

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

As of September 30, 2014, an evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and President and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act. Based upon our evaluation, our Chief Executive Officer and President and our Chief Financial Officer have concluded that, as of September 30, 2014, our disclosure controls and procedures are effective.

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

PART II

ITEM 1. LEGAL PROCEEDINGS

We have previously provided disclosure regarding a lawsuit entitled *Reeds et al. v. BP American Production Company et al.*, in the 38th Judicial District Court of Louisiana, Case No. 10-18714, filed against 15 oil and gas defendants on July 30, 2010 by six individuals and one limited liability company in Cameron Parish Louisiana for surface contamination in areas where we and other defendants operated. On September 25, 2014, the Court entered an order approving the settlement agreement by and among us and the plaintiffs. Under the terms of the settlement agreement, we paid $16.0 million and agreed to pay an additional $2.0 million on the first anniversary of such payment plus pay the cost of a plan of remediation to be approved by the appropriate governmental authority. The $18.0 million settlement is included in litigation settlement in the accompanying consolidated statements of operations.

We have previously disclosed that in November 2012, we and other entities involved in our WCBB field operations received a government subpoena for the production of documents and other information related primarily to discharge of produced water identified by the U.S. Coast Guard in March 2012. We completed our response to that subpoena in January 2013 and have been working with the Department of Justice, Environmental Protection Agency and Louisiana Department of Environmental Quality to resolve the issue. We entered into an agreement to plead guilty to one count of a misdemeanor violation of the Clean Water Act for negligent discharge of pollutants and pay a fine of $1,125,000 and community service in the amount of $375,000. The plea agreement was approved by the United States District Court for the Western District of Louisiana on October 27, 2014 in case number 6:14-CR-00180-01. We accrued $1.5 million related to the plea agreement as of September 30, 2014, which is included in litigation settlement in the accompanying consolidated statements of operations.

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

ITEM 1A. RISK FACTORS

See risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

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

(a) None.

(b) Not Applicable.

(c) We do not have a share repurchase program, and during the three months ended September 30, 2014, we did not purchase any shares of our common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
2.1	Contribution Agreement, dated May 7, 2012, by and between the Company and Diamondback Energy, Inc. (incorporated by reference to Exhibit 10.1 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on May 8, 2012).
2.2	Purchase and Sale Agreement, dated December 17, 2012, by and between Windsor Ohio LLC, as seller, and Gulfport Energy Corporation, as purchaser (incorporated by reference to Exhibit 2.1 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on December 18, 2012).
2.3	Amendment, dated December 19, 2012, to the Purchase and Sale Agreement, dated December 17, 2012, by and between Windsor Ohio LLC, as seller, and Gulfport Energy Corporation, as purchaser (incorporated by reference to Exhibit 2.1 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on December 20, 2012).
2.4	Purchase and Sale Agreement, dated February 11, 2013, by and between Windsor Ohio, LLC, as seller, and Gulfport Energy Corporation, as purchaser (incorporated by reference to Exhibit 2.1 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on February 15, 2013).
3.1	Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on April 26, 2006).
3.2	Certificate of Amendment No. 1 to Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to Form 10-Q, File No. 000-19514, filed by the Company with the SEC on November 6, 2009).
3.3	Certificate of Amendment No. 2 to Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on July 23, 2013).
3.4	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on July 12, 2006).
3.5	First Amendment to the Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on July 23, 2013).
3.6	Second Amendment to the Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Form 8-K, File No. 000-19514, filed by the Company on May 2, 2014).
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).
4.2	Registration Rights Agreement, dated as of February 23, 2005, by and among the Company, 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 (incorporated by reference to Exhibit 10.7 of Form 10-KSB, File No. 000-19514, filed by the Company with the SEC on March 31, 2005).
4.3	Registration Rights Agreement, dated as of March 29, 2002, by and among Gulfport Energy Corporation, Gulfport Funding LLC, certain other affiliates of Wexford and the other Investors Party thereto (incorporated by reference to Exhibit 10.3 of Form 10-QSB, File No. 000-19514, filed by the Company with the SEC on November 11, 2005).
4.4	Amendment No. 1, dated February 14, 2006, to the Registration Rights Agreement, dated as of March 29, 2002, by and among Gulfport Energy Corporation, Gulfport Funding LLC, certain other affiliates of Wexford and the other Investors Party thereto (incorporated by reference to Exhibit 10.15 of Form 10-KSB, File No. 000-19514, filed by the Company with the SEC on March 31, 2006).

4.5	Indenture, dated as of October 17, 2012, among Gulfport Energy Corporation, subsidiary guarantors party thereto and Wells Fargo Bank, National Association, as trustee (including the form of Gulfport Energy Corporation's 7.750% Senior Note Due November 1, 2020) (incorporated by reference to Exhibit 4.1 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on October 23, 2012).
4.6	Registration Rights Agreement, dated as of August 18, 2104, among Gulfport Energy Corporation, subsidiary guarantors party thereto and Credit Suisse Securities (USA) LLC, as representative of the several initial purchasers (incorporated by reference to Exhibit 4.4 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on August 19, 2014).
4.7	First Supplemental Indenture, dated December 21, 2012, among Gulfport Energy Corporation, subsidiary guarantors party thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on December 26, 2012).
4.8	Second Supplemental Indenture, dated as of August 18, 2014, among Gulfport Energy Corporation, subsidiary guarantors party thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on August 19, 2014).
4.9	Registration Rights Agreement, dated as of December 21, 2012, among Gulfport Energy Corporation, subsidiary guarantors party thereto and Credit Suisse Securities (USA) LLC, as representative of the several initial purchasers (incorporated by reference to Exhibit 4.3 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on December 26, 2012).
4.10	Investor Rights Agreement, dated as of October 11, 2012, between Gulfport Energy Corporation and Diamondback Energy, Inc. (incorporated by reference to Exhibit 10.1 to the Form 8-K, File No. 000-19514, filed by the Company with the SEC on October 17, 2012).
10.1*#	Sand Supply Agreement, effective as of October 1, 2014, by and between Muskie Proppant LLC and Gulfport Energy Corporation.
10.2*#	Amended and Restated Master Services Agreement, effective as of October 1, 2014, by and between Gulfport Energy Corporation and Stingray Pressure Pumping LLC.
31.1*	Certification of Chief Executive Officer of the Registrant pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer of the Registrant pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer of the Registrant pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2*	Certification of Chief Financial Officer of the Registrant pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

\# Confidential treatment requested as to certain portions, which portions have been omitted and filed separately with the SEC.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 6, 2014

GULFPORT ENERGY CORPORATION

By: /s/ MICHAEL G. MOORE

Michael G. Moore
Chief Executive Officer and President

SAND SUPPLY AGREEMENT[1]

This SAND SUPPLY AGREEMENT (this "***Agreement***") is effective as of October 1, 2014 (the "**Effective Date**"), between Muskie Proppant LLC, a Delaware limited liability company ("**Supplier**"), and Gulfport Energy Corporation, a Delaware corporation ("**Customer**"). Supplier and Customer are individually referred to as a "**Party**" and collectively as the "**Parties**").

RECITALS

A. Customer's primary business is the exploration and production of oil and natural gas. Customer requires high quality sand for use as a proppant in connection with its operations.

B. Supplier desires to sell such sand and is able to provide the proppant sand to Customer.

C. Customer desires to purchase 40/70 proppant sand (as described below, the "**Product**") from Supplier under the terms and conditions set forth in this Agreement.

D. Supplier is willing to undertake the supply of the Product for Customer under the terms of this Agreement.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements contained herein, the Parties agree as follows:

ARTICLE I
TERM

1.1 Initial Term. Unless otherwise terminated as provided herein, this Agreement shall be effective as of the Effective Date and will remain in effect through and including September 30, 2018, unless earlier terminated in accordance with the terms of this Agreement (such period, the "**Initial Term**").

1.2 Extensions. The Initial Term of this Agreement may be extended by the mutual agreement of the Parties in a written amendment of this Agreement executed by both Parties. Neither Party shall be obligated to extend this Agreement. The Initial Term and any extensions thereof are collectively referred to as the "**Term**."

ARTICLE IISUPPLY COMMITMENTS

2.1 Sale of Product.

(a) Subject to the terms of this Agreement, Supplier agrees to sell and deliver to Customer, and Customer agrees to purchase and take delivery from Supplier of an aggregate of

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[1] The appearance of [*] denotes confidential information that has been omitted from this exhibit and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

[*][1] tons of Product during each Contract Year (the "**Maximum Annual Purchase Amount**"). Customer agrees to purchase and take delivery of Product on a Ratable Basis during each calendar month.

(b) Supplier shall be under no obligation to supply or sell, and Customer shall not have the right to buy, Product in excess of (a) the Maximum Annual Purchase Amount in any Contract Year, or (b) [*][1] tons of Product in each half of a calendar month (in each case, such excess amounts of Product, "**Excess Volumes**"). Sales of Excess Volumes shall be done at Supplier's sole discretion.

(c) Supplier will make commercially reasonable efforts to deliver Product in accordance with the provisions of this Section 2.1 Supplier will not contract more Product in excess of its estimated production capacity.

2.2 Rolling Forecast. On or before the tenth (10th) day of each month, Customer shall provide to Supplier a non-binding 120 day rolling forecast of its anticipated purchases of Product in each of month covered by such forecast (each a "**Forecast**").

2.3 Orders.

(a) From time to time during a month, Customer will submit written orders to Supplier specifying the quantity of Product to be purchased and the requested delivery date, which delivery date shall be consistent with the Standard Order Lead Time applicable to such order. Unless otherwise agreed by Supplier, only an order that is consistent with the then-current Forecast and that (i) does not exceed [*][1] tons of Product for deliveries in that month, (ii) is consistent with the requirement to take delivery of the Product on a Ratable Basis, and (iii) does not exceed [*][1] tons of Product for deliveries in such Contract Year, shall be effective and binding on Supplier (any such binding order is referred to as an "**Order**").

(b) The terms of this Agreement shall prevail over the terms in any Order in the event of a conflict unless specific reference and identification is made to the provision of this Agreement to be modified and the intention to modify is explicitly stated and signed by both Parties. Such changes shall be effective for that Order only. Printed terms and conditions contained in any order or documents issued to Customer by Supplier or from Customer to Supplier with respect to the Product shall be of no force and effect and shall be superseded by the terms and conditions contained in this Agreement.

2.4 Minimum Purchase Requirement.

(a) Commencing on November 1, 2014 and subject to Section 2.1, Supplier agrees to sell, and Customer shall be required to take delivery of, for each calendar month during each Contract Year (each calendar month is referred to as a "Supply Period") an aggregate of [*][1]

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[1] Denotes confidential information that has been omitted from this exhibit and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

tons of Product (such amount, as adjusted pursuant to Section 2.4(b), is referred to as the "**Monthly Minimum Requirement**").

(b) If Supplier (i) fails to deliver (or tender for delivery) any quantity of Product as required under any Order, whether as a result of Force Majeure or otherwise, or (ii) is unable or unwilling to supply any Product pursuant to a binding Order, the Monthly Minimum Requirement for the calendar month in which such failure occurred shall be reduced by such quantity of Product that was not so delivered.

2.5 Alternate Sources of Supply. For the avoidance of doubt, Supplier may, in its discretion, source Product from third Persons so long as such Product complies with the Quality Standards and Supplier is otherwise in compliance with the other provisions of this Agreement and the applicable Order.

ARTICLE III
COMMERCIAL TERMS

3.1 Delivery Terms.

(a) All Product shall be delivered FOB to a transload facility located within a seventy-five (75) mile radius of St. Clairsville, Ohio, as designated by Supplier in the Pick-Up Availability Notice (each a "**Designated Transload Facility**"). All risk of loss and title shall transfer to Customer upon delivery of the Product at the applicable Designated Transload Facility.

(b) Customer acknowledges and agrees that if Supplier's shipment or delivery of the Product is delayed due to a shortage or inability to acquire rail cars, Supplier will not be deemed to be in default under this Agreement, and Supplier's shipment or delivery deadlines set forth herein shall be extended accordingly.

3.2 Product Pricing.

(c) The purchase price for the Product shall be the sum of (i) $[*][1] per ton (as adjusted pursuant to Section 3.1(b), the "**Product Price**"), plus (ii) all costs and expenses incurred by Supplier for handling and transporting from Supplier's source of origin to the Designated Transload Facility, including all rail cost, railcar cost and destination transload fees, where "source of origin" means the origination location of Supplier's rail shipment.

(d) The Product Price shall be subject to annual inflation adjustment based on changes to the Consumer Price Index (US City Average, All Items.

3.3 Shortfall Payment; Credit in Subsequent Month.

(c) In the event that Customer fails to purchase and take delivery of the Monthly Minimum Requirement during any calendar month, or Supplier fails to supply and deliver the Monthly Minimum Requirement during any calendar month other than as a result of a Force Majeur (any such month a "**Default Supply Period**"), then Customer hereby agrees to pay to Supplier in the case of Customer's failure), or Supplier agrees to pay to Customer (in the case of Supplier's

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failure), as liquidated damages and not as a penalty, an amount equal to $[*][1] times the difference between the Monthly Minimum Requirement for such month and the amount of Product actually purchased by Customer during such month (in the case of Customer's failure) or the amount of Product actually delivered by Supplier during such month (in the case of Supplier's failure) (a "**Shortfall Payment**"). Such Shortfall Payment shall be included on the invoice for Product sold during such month. Notwithstanding the foregoing, Supplier shall have no obligation to deliver, and shall not be responsible for a Shortfall Payment as a result of a failure to deliver, any product not identified by Customer in a Forecast.

(d) If Customer is liable for any Shortfall Payment for any month, it shall have the right, to order Excess Volumes of Product during the three calendar months immediately following any Default Supply Period (such period is referred to as a "**Make-Up Supply Period**") subject to Supplier's ability to deliver such Excess Volumes. Customer will receive, as a credit towards the purchase of such Excess Volumes, $[*][1] per ton of such Excess Volume, but in no event more than the amount of the Shortfall Payment payable by Customer for such month. If Supplier is liable for any Shortfall Payment for any month, it shall have the right to deliver, and Customer agrees to purchase Excess Volumes of Product during the three calendar months immediately following such Default Supply Period, and Supplier shall receive, as a credit against such Shortfall Payment, $[*][1] per ton of such Excess Volume, but in no event more than the amount of the Shortfall Payment payable by Supplier for such month. For the avoidance of doubt, Supplier shall not be obligated to deliver to Customer during such Make-Up Supply Period any quantities of Product in excess of the Monthly Minimum Requirement; and, *provided further*, following such Make-Up Supply Period, neither Customer nor Supplier shall be entitled to any additional credits with respect to any portion of the Shortfall Payment that was not credited during such Make-Up Supply Period.

3.4 Demurrage Expenses.

(a) Supplier shall provide notice to Customer when Product will be available for pick-up at the Designated Transload Facility (such notice, a "**Pick-Up Availability Notice**"). Supplier is responsible for accepting delivery of the Product on the date specified in the Pick-Up Availability Notice.

(b) If Customer fails to pick-up the Product at the Designated Transload Facility on the date of such Pick-Up Availability Notice, then Customer shall pay to Supplier a demurrage fee equal to $[*][1] per day per rail car (the "**Daily Demurrage Fee**") beginning on the fifth day following the date of such Pick-Up Availability Notice through the date on which Customer actually accepts delivery of such Product.

3.5 Weights and Measures; Shortages. The quantity of Product delivered shall be determined at the load point in accordance with the Supplier's standard methods and procedures

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applicable to deliveries of the Product. Supplier's weights and quantities shall govern, absent clear and manifest error. Claims for shortages must be reported within ten (10) days of receipt of the Product by Customer to Supplier. Customer waives all claims therefor unless made in writing and delivered to Supplier within ten (10) days after receipt of the Product.

3.6 Title. Supplier warrants clear title to the Product at the time title to the Product passes to Customer, free from any and all liens or other encumbrances.

3.7 Limited Warranty.

(a) Supplier warrants to Customer that all Product supplied by Supplier pursuant to this Agreement shall comply with the Quality Standards in all material respects. Supplier's product tests described in Section 3.8 shall be used to determine whether any Product meets the Quality Standards, absent manifest error.

(b) EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, SUPPLIER EXPRESSLY DISCLAIMS ANY WARRANTIES, EXPRESS OR IMPLIED, RELATED TO THE PRODUCT, INCLUDING ANY WARRANTY AS TO THE QUALITY OF THE PRODUCT, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR SUITABILITY, ANY IMPLIED WARRANTY THAT ANY OF THE PRODUCT ARE FIT FOR A PARTICULAR PURPOSE, OR ANY WARRANTY CREATED BY THE PROVISION OF ANY SAMPLES. ANY COURSE OF DEALING OR INDUSTRY PRACTICE SHALL NOT IMPLY ANY ADDITIONAL WARRANTIES BY SUPPLIER.

(c) Exclusive Remedies. In the event that any Product fails to meet the limited warranty set forth in Section 3.7(a), Supplier shall, at Supplier's option, either (a) replace such Product at its sole cost with conforming Product, which replacement Product shall be made available to Customer at the Designated Transload Facility, or (b) refund to Customer the Product Price for such nonconforming Product. The remedies contained in this Section 3.7(c) are the sole and exclusive remedies of Customer in connection with any breach of Supplier's warranty in Section 3.7(a).

3.8 Inspection; Samples.

(a) Supplier shall permit representatives of Customer, at any reasonable time and upon reasonable prior notice, to inspect the Product manufactured by Supplier at Supplier's facilities prior to the time of delivery of Product to Customer.

(b) Upon receipt of a written request by Customer, Supplier shall provide to Customer a production sample of Product for any Order. A "**production sample**" is defined as [one hundred (100) grams of the actual production run and/or lot number of the delivered Product]. Such production sample shall be retained by Supplier and provided to Customer up to sixty (60) days from the date of the applicable Order. Supplier shall also, upon receipt of a written request by Customer, provide multiple-sieve analysis of Product at Supplier's facility for inspection/confirmation by Customer.

(c) Customer shall be entitled to reject any Product that does not comply with Section 3.7(a); *provided that* any Product not rejected prior to the time of delivery of such Product to the carrier shall be deemed accepted by Customer, unless testing of the applicable production sample by an independent third party laboratory conclusively determines that Product previously accepted by Customer do not comply with Section 3.7(a) (in which case Customer may reject such previously accepted Product upon such determination by the independent third party laboratory, so long as such testing is completed by and such rejection is made within thirty (30) days of Customer's receipt of the Product).

ARTICLE IV
INVOICING AND PAYMENT

4.1 Invoicing and Payment Terms. Subject to any special terms agreed in writing from time to time between Customer and Supplier:

(e) Supplier shall invoice Customer on a monthly basis in respect of all Product purchased and delivered under this Agreement during the prior month. Payment shall be due no later than the thirtieth (30^{th}) day after the date of the invoice.

(f) Payments thirty (30) days or more past due shall bear interest at the lower of (i) the Wall Street Journal prime rate plus eight hundred basis points, or (ii) the highest interest rate permitted by applicable law, from (and including) the date on which the applicable payment was due to (but excluding) the date on which the applicable payment is paid in full. The accrual of interest as provided in the preceding sentence shall not limit any other remedies of Supplier, which shall include the right to terminate this Agreement in accordance with Article VII.

4.2 Taxes. Any severance, added value, manufacture, excise, or sales or use taxes that may be applicable to the sales made under this Agreement are for Customer's account, and Customer hereby agrees to pay such taxes. Any increase in current or new federal, state or local taxes, including but not limited to severance, added value, manufacture, excise or sales or use taxes, which shall become due by reason of the severance, manufacture, sale or delivery of the Product by Supplier to Customer shall be reimbursed to Supplier by Customer, and such taxes shall be separately listed on each monthly invoice to Customer. All other charges, including but not limited to those relating to state and federal environmental and energy laws and regulations, assessed by any governmental entity relating to the severance, manufacture, sale or delivery of the Product shall be for Customer's account, and Customer hereby agrees to pay such other charges. The provisions of this Section shall continue after termination of this Agreement.

ARTICLE V
CONFIDENTIALITY; NON-SOLICITATION

5.1 Confidentiality.

(e) Each Party undertakes to treat as confidential all information in any medium or format (whether marked "confidential" or not) which that Party (the "**Receiving Party**") receives during the term of this Agreement and for the purposes of this Agreement from the other Party (the "**Disclosing Party**"), either directly or from any person, firm, company or organization associated with the Disclosing Party (the "**Confidential Information**").

(f) The Receiving Party may use the Confidential Information of the Disclosing Party for the purposes of this Agreement, and the Receiving Party may provide its employees, directors, suppliers, agents, subcontractors and professional advisers with access to such

Confidential Information. Each Party shall ensure that its employees, agents and subcontractors comply with its obligations of confidence. Where such recipient is not an employee or director of the relevant Receiving Party, the Receiving Party shall provide the Confidential Information to such permitted persons subject to reasonable and appropriate obligations of confidence. For the avoidance of doubt, the Receiving Party shall be responsible for any breach of the provisions of this Section 5.1 by its employees, directors, suppliers, agents, subcontractors or professional advisers.

(g) The provisions of this Section 5.1 shall not apply to any information which (i) enters the public domain other than as a result of a breach of this Section 5.1, (ii) is received from a third party which is under no confidentiality obligations, (iii) is independently developed by a Party without use of the other Party's Confidential Information or (iv) was previously known to a Party. In addition, the Receiving Party may disclose the Confidential Information of the Disclosing Party where required to do so by law or by any competent regulatory authority; provided that the Receiving Party shall give the Disclosing Party prompt advance written notice of the disclosures (where lawful and practical to do so) so that the Disclosing Party has sufficient opportunity (where reasonably possible) to prevent or control the manner of disclosure by appropriate legal means.

(h) Except to the extent required under this Agreement or required for purposes of complying with applicable law, including environmental, health and safety laws and reporting provisions thereunder, all Confidential Information, in written or other tangible media, shall be returned to the Disclosing Party within thirty (30) days following the expiration, termination or cancellation of this Agreement, and all electronic Confidential Information shall be deleted from the Receiving Party's systems.

(i) The provisions of this Section 5.1 shall survive the expiration, termination or cancellation of this Agreement for a period of two years.

5.2 Non-Solicitation. During the Term, Customer shall not, directly or indirectly, knowingly solicit for employment, offer employment to or employ or retain (whether as an employee, officer, agent, consultant, advisor or in any other capacity) any employee of Supplier, unless otherwise agreed by Supplier in writing; *provided*, *however*, the foregoing shall not prohibit solicitations through general public advertising or other publications of general public circulation or general solicitations by an employment agency not specifically targeting Supplier's employees, or the hiring of any employee of Supplier who contacts Customer as a result of such general advertising, publications or solicitations.

ARTICLE VI
FORCE MAJEURE

6.1 Force Majeure. If Supplier is affected by Force Majeure it shall promptly notify the Customer of the nature and extent of the circumstances in question. Supplier shall not be deemed to be in breach of this Agreement, or otherwise be liable to Customer, for any delay in performance or the non-performance of any of its obligations under this Agreement or any Order, to the extent that the delay or non-performance is due to any Force Majeure, and the time for performance of that obligation shall be extended accordingly; *provided that* if the Force Majeure in question prevails for a continuous period in excess of sixty (60) days, the Parties shall enter into discussions with a view to alleviating its effects, or to agreeing upon such alternative arrangements as the Parties mutually agree.

ARTICLE VII
DEFAULT AND TERMINATION

7.1 Default by Supplier. If Supplier fails to produce and deliver Product that meets the Quality Standards during three (3) consecutive Supply Periods and Customer has timely provided notices of such failures to Supplier in accordance with Sections 3.8 and 3.9, then, Supplier shall be deemed to be in default, and, at any time during the thirty (30) day period following such third (3rd) consecutive Supply Period, Customer shall have the option, at its sole discretion, to terminate this Agreement by giving written notice of termination to Supplier; failure to exercise such termination right within such 30-day period shall constitute a waiver of such termination right. No such termination by Customer shall constitute or be construed as a waiver or any right or remedy of Customer for breach of contract resulting from the facts and circumstances forming the basis of such termination.

7.2 Customer Payment Default. If Customer fails to pay to Supplier any sums due under this Agreement, and the failure continues for a period of fifteen (15) days after Customer's receipt of a written notice of such failure, then in addition to Supplier's rights at law or in equity, Supplier may suspend deliveries hereunder until such failure has been cured, and/or terminate this Agreement in its entirety.

7.3 Other Defaults. If either Party fails to fully perform any material obligation under this Agreement (other than obligations that are the subject of Sections 7.1 and 7.2) and (a) such failure continues for a period of forty-five (45) days after delivery to the defaulting Party of written notice of such non-performance, and (b) after such forty-five (45) day period, the defaulting Party is not undertaking commercially reasonable efforts to cure such failure to perform, then the non-defaulting Party shall have the right to specifically enforce the terms of this Agreement and seek damages for any breach, terminate this Agreement in its entirety and otherwise pursue the remedies available to the non-defaulting Party at law or in equity.

7.4 Survival of Orders. If any Orders are outstanding on the date this Agreement terminates or expires, then such Orders will not terminate on such date but will survive and continue in full force and effect in accordance with the terms of this Agreement until such Orders terminate or expire in accordance with their terms and . Notwithstanding the foregoing, if (a) Customer terminates this Agreement in accordance with Section 7.1, Customer may in its sole discretion terminate any or all outstanding Orders for Product not yet delivered to Customer; or (b) Supplier terminates this Agreement in accordance with Section 7.2, Supplier may in its sole discretion terminate any or all outstanding Orders for Product not yet delivered to Customer.

7.5 Survival. Upon expiration of this Agreement or the termination of this Agreement for any reason, all obligations of the Parties hereunder shall terminate, except for any obligations that are expressly stated to survive the expiration of the Term or termination of this Agreement and any obligations that remain executory (other than minimum purchase obligations), which obligations, to the extent they remain executory, shall remain in full force and effect until fully performed by the obligated Party as stated in this Agreement. The respective Parties' obligations under Section 3.7 Article IV, Section 5.1, this Section 7.5, Articles VIII and Article X shall survive the expiration of the Term or termination of this Agreement. Neither expiration nor termination of this Agreement shall relieve any Party of liability for breaches of this Agreement prior to such expiration or termination.

ARTICLE VIIIINDEMNIFICATION; LIMITS OF LIABILITY

8.1 Indemnification by Customer. Notwithstanding anything else contained in this Agreement, Customer shall release, defend, protect, indemnify, and hold harmless Supplier and each of its Affiliates (other than Customer), and each of its and their, officers, directors, shareholders, agents, employees, successors-in-interest, and assignees from and against any and all damages for, arising out of, resulting from or relating to any damages, injuries or other casualties of whatever kind, or by whosoever caused, to any Person or third party arising out of or resulting from the use of the Product, the suitability of the Product for use in Customer's operations or the migration of the Product to any underground formation, strata or water table, **regardless of whether such claims are attributable to or arise from the joint or concurrent negligence, strict liability or other fault or responsibility of Customer or any other indemnified party,** except where such fine, loss, damage, injury, liability or claim is the direct result of the willful misconduct or sole or gross negligence of Customer.

8.2 Waiver of Consequential Damages. ***Notwithstanding any provision of this Agreement to the contrary, neither Party shall be liable to the other Party for special, indirect or consequential, punitive, incidental, or exemplary damages resulting from or arising out of this Agreement, or from any loss of use, loss of data, loss of assets, loss of business, loss of production, loss of profit or business interruptions, however same may be caused and regardless of the sole or concurrent negligence of the other Party, even if such Party has been advised of, or otherwise could have anticipated the possibility of, such damages or liabilities in advance. The foregoing limitation is not intended and shall not limit any damages incurred by any third party and covered under any indemnity hereunder.***

8.3 Limitation of Liability. **IN NO EVENT SHALL SUPPLIER'S TOTAL LIABILITY FOR ANY AND ALL LOSSES AND DAMAGES ARISING OUT OF THIS AGREEMENT OR ANY ORDER, DUE TO ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED ON NEGLIGENCE, STRICT LIABILITY OR OTHERWISE), EXCEED THE PRODUCT PRICE OF THE PRODUCT IN RESPECT TO WHICH SUCH CAUSE ARISES.**

8.4 Compliance with Law. Subject to the limitations of this Agreement, it is agreed that in the performance of this Agreement all matters shall be conducted in full compliance with any and all Applicable Laws. Any performance obligation arising under this Agreement is contingent on the prior receipt of all necessary government authorizations. If either Party is required to pay any fine or penalty or is subject to a claim from the other Party's failure to comply with Applicable Law, the Party failing to comply shall defend, indemnify and hold harmless the other Party for all damages, fees and/or fines for such failure to comply to the extent of the indemnifying Party's allocable share of the failure to comply.

ARTICLE IX
DEFINITIONS; CONSTRUCTION

9.1 Defined Terms. Capitalized terms used throughout this Agreement shall have the meanings set forth below, unless otherwise specifically defined herein.

(d) "**Applicable Law**" means any applicable statute, law, regulation, ordinance, rule, determination, judgment, rule of law, order, decree, permit, approval, concession, grant, franchise, license, requirement, or any similar form of decision of, or any provision or condition of any permit, license or other operating authorization issued by any Governmental Authority having or asserting jurisdiction over the matter or matters in question, whether now or hereafter in effect.

(e) "**Affiliate**" or "**affiliate**" in relation to either Party means any corporation, limited liability company, partnership, proprietorship, joint venture or other entity directly or indirectly controlled by, controlling, or under common control with that Party.

(f) "**Business Day**" means any day other than a Saturday, Sunday, or other day on which commercial banks in the state of Ohio are authorized or required by law to close.

(g) "**Confidential Information**" means all confidential, proprietary or non-public information of a Party, whether set forth in writing, orally or in any other manner, including all non-public information and material of such Party that another Party obtains knowledge of or access to, including non-public information regarding products, processes, business strategies and plans, customer lists, research and development programs, computer programs, hardware configuration information, technical drawings, algorithms, know-how, formulas, processes, ideas, inventions (whether patentable or not), trade secrets, schematics and other technical, business, marketing and product development plans, revenues, expenses, earnings projections, forecasts, strategies, and other non-public business, technological, and financial information.

(h) "**Contract Year**" means the twelve-month period starting on the Effective Date, and each successive period of twelve (12) calendar months during the Term.

(i) "**Damages**" means any and all liabilities, losses, damages, demands, assessments, claims, costs and expenses, whether known or unknown, now existing or hereafter arising, contingent or liquidated (including interest, awards, judgments, penalties, settlements, fines, out-of-pocket costs and expenses incurred in connection with investigating and defending any claims or causes of action (including, without limitation, reasonable attorneys' fees and expenses and all reasonable fees and expenses of consultants and other professionals)). The term "Damages" shall not include consequential, incidental, special, exemplary or punitive damages.

(j) "**Force Majeure**" means any circumstances beyond the reasonable control of Supplier, including war (whether declared or undeclared), acts of God, including fire, flood, storms and earthquakes, embargoes, riots, civil disturbances, insurrections, sabotages, events or occurrences adversely impacting Supplier's facilities, transportation interruptions, delays, strikes or capacity limitations, lock-outs or other similar acts of Supplier's employees, or government actions such as the necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction.

(k) "**Governmental Authority**" means any federal, state, local or foreign government or any provincial, departmental or other political subdivision thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory, administrative or other governmental functions or any court, department, commission, board, bureau, agency, instrumentality or administrative body of any of the foregoing.

(l) "**Person**" or "**person**" means any entity, including any partnership, corporation, limited liability company or governmental entity, and any natural person.

(m) "**Product**" means generally, whether singular or plural, Supplier's standard grade of 40/70 proppant sand, as described in Exhibit A.

(n) "**Quality Standard**" means a manufacturing standard that conforms to ISO 13503-2, Proppant Specifications.

(o) "**Ratable Basis**" means the purchase by Customer of one half of the Monthly Minimum Requirement during each half of each Supply Period.

(p) "**Standard Order Lead Time**" means, with respect to any Order, fourteen (14) days from the date of such Order, or such other period as Supplier may establish from time to time based on the time required to have the Product moved to the Designated Transload Facility.

9.2 Other Terms. Other capitalized terms may be defined elsewhere in the text of this Agreement and shall have the meaning indicated throughout this Agreement.

9.3 General Terms. Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural, and vice-versa, (b) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine and neuter; (c) references to Articles and Sections refer to Articles and Sections of this Agreement; (d) references to Exhibits or Schedules refer to the Exhibits or Schedules attached to this Agreement, each of which is made a part hereof for all purposes; (e) references to Applicable Laws refer to such Applicable Laws as they may be amended from time to time, and references to particular provisions of a Applicable Law include any corresponding provisions of any succeeding Applicable Law; (f) the term "include", "includes", "including" or words of like report shall be deemed to be followed by the words "without limitation"; (g) the terms "hereof", "herein" or "hereunder" refer to this Agreement as a whole and not to any particular provision of this Agreement; (h) references to money refer to legal currency of the United States of America; and (i) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. The headings contained in this Agreement are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement.

ARTICLE XOTHER PROVISIONS

10.1 Assignment. Neither Party shall transfer or assign its interest in this Agreement, in whole or in part, directly or indirectly, without the prior written consent of the other Party which consent will not be unreasonably withheld; except that Supplier may assign its rights and delegate its duties under this Agreement (i) by way of merger or sale of all or substantially all of the ownership interests or assets of Supplier in one or a series of related transactions; (ii) to a subsidiary or an affiliate of Supplier upon notice to Customer together with an assumption of this Agreement by such subsidiary or affiliate; or (iii) in connection with any financing. Supplier may also assign the right to receive any payments hereunder or under any Order to any third party, and Customer, on receiving notice of any such assignment, shall abide thereby and make payment as may therein be directed. In the event of any permitted assignment of this Agreement by either Party, the designated assignee shall assume, in writing, the rights and obligations of the assigning Party under this Agreement; provided that the assigning Party shall not be released from any of its liabilities or obligations arising under this Agreement prior to such assignment.

10.2 Relationship. In connection with this Agreement, each Party is an independent contractor. This Agreement establishes and will only be construed as establishing a contract for the provision and purchase of certain products and does not and will not be deemed to create a joint venture, partnership, fiduciary or agency relationship between the Parties for any purpose. Each of the Parties understands and agrees that this Agreement does not create an exclusive dealings arrangement and that each of Customer and Supplier may enter into similar arrangements with others with respect to similar or the same products. With respect to its own personnel, each Party is independently responsible for all obligations incumbent upon an employer..

10.3 Entire Agreement; Amendment. This Agreement, including its appendices, exhibits and schedules, (a) constitutes the entire Agreement between the Parties with respect to the subject matter hereof, (b) supersedes any existing agreements between them whether oral or written and (c) shall control and govern all transactions between the Parties with respect to the sales and purchases of Product. The terms of this Agreement shall only be amended, modified or supplemented as set forth herein or in a writing signed by or on behalf of both of the Parties, which writing must specifically reference and identify the provision of this Agreement to be modified and the intention to modify this Agreement must be explicitly stated. Acceptance of an Order is insufficient to amend this Agreement unless a separate writing is duly executed by all the Parties specifically amending this Agreement.

10.4 Reformation. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any Party. Upon the determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

10.5 Notices. Any notice provided or permitted to be given under this Agreement shall be in writing, and may be served by personal delivery, by registered or certified U.S. mail, addressed to the party to be notified, postage prepaid, return receipt requested; or by nationally recognized delivery service. Notice deposited in the mail in the manner hereinabove described shall be deemed to have been given and received on the date of the delivery as shown on the return receipt. Notice served in any other manner shall be deemed to have been given and received only if and when actually received by the addressee. All notices shall be addressed as follows:

If to Supplier:

If to Customer:

Any party may, by written notice so delivered to the other party, change the address or individual to which delivery shall thereafter be made.

10.6 Electronic Transmissions. Notices sent by facsimile or email transmission will not be effective for any purpose under this Agreement; and while in the course of normal contract administration the Parties may choose to use email transmissions for convenience, all notices of a legal nature or required under the terms of this Agreement (such as, but not limited to, a notice of termination of this Agreement, dispute, claim, indemnification, default, or breach or failure to make payment) must be given in accordance with Section 10.5 above. Except as otherwise set forth in Section 10.9, the Parties do not consent to conduct any of the transactions contemplated by this

Agreement by electronic means, and electronic notices and signatures shall not be effective except as provided in Section 10.9.

10.7 Waiver. No failure or delay by either Party in exercising any of its rights under this Agreement shall be deemed to be waiver of that right, and no waiver by either Party of a breach of any provision of this Agreement shall be deemed to be a waiver of any subsequent breach of the same or any other provision.

10.8 Governing Law; Venue; Waiver of Jury Trial.

(a) This Agreement and all Orders and other instruments executed in accordance herewith governed by and construed in accordance with the laws of the State of Delaware (except to the extent that mandatory provisions of federal law govern), without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of Delaware.

(b) THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE COURT OF CHANCERY OF THE STATE OF DELAWARE (OR, IF THE COURT OF CHANCERY OF THE STATE OF DELAWARE OR THE DELAWARE SUPREME COURT DETERMINES THAT, NOTWITHSTANDING SECTION 111 OF THE DELAWARE GENERAL CORPORATION LAW, THE COURT OF CHANCERY DOES NOT HAVE OR SHOULD NOT EXERCISE SUBJECT MATTER JURISDICTION OVER SUCH MATTER, THE SUPERIOR COURT OF THE STATE OF DELAWARE) AND THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE STATE OF DELAWARE IN RESPECT OF THE INTERPRETATION AND ENFORCEMENT OF THE PROVISIONS OF THIS AGREEMENT AND ANY AND ALL ORDERS AND OTHER INSTRUMENTS EXECUTED IN ACCORDANCE HEREWITH, AND HEREBY WAIVE, AND AGREE NOT TO ASSERT, AS A DEFENSE IN ANY PROCEEDING FOR INTERPRETATION OR ENFORCEMENT HEREOF OR ANY SUCH DOCUMENT THAT IS NOT SUBJECT THERETO OR THAT SUCH PROCEEDING MAY NOT BE BROUGHT OR IS NOT MAINTAINABLE IN SAID COURTS OR THAT VENUE THEREOF MAY NOT BE APPROPRIATE OR THAT THIS AGREEMENT OR ANY SUCH DOCUMENT MAY NOT BE ENFORCED IN OR BY SUCH COURTS, AND THE PARTIES HERETO IRREVOCABLY AGREE THAT ALL CLAIMS WITH RESPECT TO SUCH PROCEEDING SHALL BE HEARD AND DETERMINED EXCLUSIVELY BY SUCH A DELAWARE STATE OR FEDERAL COURT. THE PARTIES HEREBY CONSENT TO AND GRANT ANY SUCH COURT JURISDICTION OVER THE PERSON OF SUCH PARTIES AND OVER THE SUBJECT MATTER OF SUCH DISPUTE AND AGREE THAT MAILING OF PROCESS OR OTHER PAPERS IN CONNECTION WITH SUCH PROCEEDING IN THE MANNER PROVIDED IN SECTION 10.5 OR IN SUCH OTHER MANNER AS MAY BE PERMITTED BY LAW SHALL BE VALID AND SUFFICIENT SERVICE THEREOF.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR ANY ORDERS OR OTHER INSTRUMENTS EXECUTED IN ACCORDANCE HEREWITH IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY ORDERS OR ANY OTHER INSTRUMENTS EXECUTED IN ACCORDANCE HEREWITH. EACH

PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER; (ii) SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THE FOREGOING WAIVER; (iii) SUCH PARTY MAKES THE FOREGOING WAIVER VOLUNTARILY, AND (iv) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, EACH ORDER AND EACH OTHER INSTRUMENT EXECUTED IN ACCORDANCE HEREWITH BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION 10.8(C).

(d) Any Party who substantially prevails (giving due consideration to all relevant circumstances and not merely to which party obtains a judgment or recovery in its favor) in asserting or defending a claim or suit arising out of a transaction covered by this Agreement shall be awarded, in addition to all other damages allowed under law, its costs, fees and expenses, including reasonable attorneys' fees and costs.

10.9 Counterparts. This Agreement, any amendment to this Agreement or any Order may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument. The exchange of copies of this Agreement, any amendment to this Agreement or any Order and of signature pages by facsimile transmission (whether directly from one facsimile device to another by means of a dial-up connection or whether otherwise transmitted via electronic transmission), by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, or by a combination of such means, shall constitute effective execution and delivery of this Agreement, such amendment to this Agreement or such Order, as applicable, as to the Parties and may be used in lieu of an original thereof for all purposes. Signatures of the Parties transmitted by facsimile or other electronic transmission shall be deemed to be original signatures for all purposes. Minor variations in the form of signature pages of this Agreement, any amendment to this Agreement or any Order, including footers from earlier versions thereof, shall be disregarded in determining a Party's intent or the effectiveness of such signature.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

MUSKIE PROPPANT LLC

By: /s/ Marc McCarthy
Name: Marc McCarthy
Title: Vice President

GULFPORT ENERGY CORPORATION

By: /s/ Michael G. Moore
Name: Michael G. Moore
Title: Chief Executive Officer & President

EXHIBIT A

MUSKIE STANDARD 40/70 GRADE PROPPANT SAND

The Proppant to be supplied under the Agreement will comply with the specification of API Recommended Practice 56 (“API RP56”) as tested in Muskie’s production facility.

Subject to confidentiality and trade secret protection assurances and protocols, Customer shall have the right to review testing procedures at Muskie’s production facility from time to time upon forty-eight (48) hours’ notice and during normal business hours.

AMENDED & RESTATED MASTER SERVICES AGREEMENT FOR PRESSURE PUMPING SERVICES AGREEMENT[1]

THIS AMENDED & RESTATED MASTER SERVICE AGREEMENT FOR PRESSURE PUMPING SERVICES (this "**Agreement**") is made and entered into effective October 1, 2014 (the "**Effective Date**") between Gulfport Energy Corporation ("**Company**"), and Stingray Pressure Pumping LLC ("**Contractor**"). Contractor and Company are individually referred to as a "**Party**" and collectively as the "**Parties**."

RECITALS:

A. Contractor and Company are parties to a Master Services Agreement dated as of December 3, 2012 (the "MSA").

B. Contractor provides hydraulic fracturing, stimulation and related completion and rework services for oil and gas exploration wells and other ancillary services (as more specifically described in Exhibit A and applicable Work Orders, the "**Services**").

C. Company desires to retain Contractor to provide the Services in the Utica shale formations located in Ohio (the "**Service Area**").

D. The Parties desire to enter into this Agreement to amend and restate the MSA with respect to the Services and to set forth the terms and conditions under which the Services shall be provided to Company by Contractor.

E. The MSA shall not apply to the Services, but shall remain in full force and effect with respect to services to be provided by Contractor to Company other than the Services.

NOW THEREFORE, for and in consideration of the mutual promises hereinafter set forth, Contractor and Company hereby agree as follows:

1. Term of Agreement.

(a) The initial term of this Agreement will commence on the Effective Date and will continue through and including September 30, 2018, unless earlier terminated in accordance with this Agreement (the "**Initial Term**").

(b) The Initial Term of this Agreement may be extended by the mutual agreement of the Parties in a written amendment of this Agreement executed by both Parties. Neither Party shall be obligated to extend this Agreement. The Initial Term and any extensions thereof are collectively referred to as the "**Term**."

[1] The appearance of [*] denotes confidential information that has been omitted from this exhibit and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

2. Provision of the Services.

(a) Contractor will perform hydraulic fracturing, stimulation and related completion services for Company's wells in the Service Area utilizing the Dedicated Frac Spreads described below). Company shall designate individual well locations and specific well requirements from time to time in a mutually agreed written work order (each a "**Work Order**"). Contractor will use commercially reasonable efforts to meet the particular scheduling and operational requirements requested from time to time by Company subject to the availability of,and the operational capacity and limitations of, the Dedicated Frac Spread. The location of each well at which services will be performed is referred to as a "**Site**."

(b) During the Initial Term, Contractor will dedicate two (2) frac spreads (each as more specifically described in Exhibit A, and together with related equipment for a spread, is referred to as a "**Dedicated Frac Spread**" and collectively referred to as the "**Dedicated Frac Spreads**") for the performance of the Services for Company in the Service Area. Each Dedicated Frac Spread will be available for the provision of Services commencing on the In-Service Date set forth with respect thereto on Exhibit A. In connection with the provision of the Services, Contractor shall be responsible for and shall select and provide all necessary equipment and supplies for the performance of the Services except as specifically noted in this Agreement or the applicable Work Order to be provided by Company (the Dedicated Frac Spreads and equipment and supplies provided by Contractor, including any substitutions and replacements thereof, are referred to as the "**Equipment**"). Contractor may determine when and if any Equipment can be demobilized or if additional equipment is needed; provided that any changes to the Equipment will be done after consultation with Company and any replacement equipment must be capable of providing the Services. Company shall not have any right to restrict Contractor from demobilizing or replacing any Equipment from a Site.

(c) Contractor will be solely responsible for the operation of the Equipment, and the Equipment shall remain under the control of Contractor at all times. Contractor will provide trained and qualified personnel to perform the Services. If required by a Work Order, Contractor will provide the Services on a 24 hour per day, 7 days per week basis, subject to the availability and operational readiness of the Equipment (which may be affected by scheduled and unscheduled maintenance) or interruptions due to limitations at the Site beyond the control of Contractor (e.g., shortage of sand or chemicals) or Force Majeure events.

(d) Contractor shall be responsible for (i) transportation of the Equipment to and from the Site, (ii) unloading and placing the Equipment at the Site, and (iii) supervision of the connection and disconnection of the Equipment to manifolds or piping provided by Company or its contractors.

(e) Contractor will provide chemicals are set forth on a Work Order and in accordance with the specifications and requirements designated by Company in the applicable Work Order for an individual well completion or rework.

(f) Contractor will transport, or arrange for the transport, of proppant purchased by Company to a Site for use in the Services, subject to local transportation restrictions and adequate access to the Site.

(g) Contractor will provide such other services, chemicals and materials as may be set forth in a mutually agreed written Work Order.

3. Company's Obligations. In order to facilitate Contractor's provision of the Services hereunder, unless otherwise expressly provided in a Work Order, Company agrees as follows:

(a) Company represents and warrants that it possesses the right to use each Site at which Services are to be performed (by virtue of ownership, leasehold interest, easement or other enforceable legal right) and the right to provide Contractor with access to each Site so that Contractor can perform the Services. Company agrees to provide Contractor with evidence of such rights upon Contractor's request.

(b) Company shall provide Contractor with authorized ingress and egress to and from each Site at all times (24 hours a day, seven days a week) in accordance with applicable road use maintenance agreements ("**RUMA**") so that Contractor can provide the Services at that Site and operate, inspect and maintain the Equipment. Company acknowledges that it has superior knowledge of each relevant Site and access routes to such Site, and consequently Company agrees to advise Contractor of any conditions or obstructions which Contractor might encounter while en route to, or while operating on, the relevant Site. Contractor agrees to follow all applicable RUMA routes as to which it has received notice.

(c) Company agrees to maintain each Site in such a condition that will allow free access and movement by Contractor and its representatives to and from the Equipment, including maintaining a road on each Site from the property entrance to the location of each Site and to the Equipment. Company shall prepare a sound location at each Site that is adequate in size and capable of properly supporting the Services and any Equipment to be used by Contractor in connection with the provision of Services.

(d) Company shall provide (i) all of the water requirements for the Services and (ii) a properly functioning waste discharge system for the Equipment (including an outlet connection from the all pipes connections) in accordance with applicable law and applicable environmental licenses and permits.

(e) In the event of any pollution, contamination or release related to or in connection with the Services, Company shall coordinate with Contractor within twenty-four (24) hours of discovery to determine which Party is legally responsible for notifying appropriate regulatory authorities. Company will provide to Contractor any analysis or event incident investigation reports prepared by Company as soon as they are available, and Contractor shall have the right to use such analysis and/or reports and to include such analysis and/or reports in any filings that it makes with any regulatory authority or third party. If requested by Contractor, Company will certify that it prepared such analysis and/or report and has authorized Contractor to provide it to such regulatory authority or third party. If it is later determined that the Party who initially reported the incident to the regulatory authority was not the appropriate reporting party, then the Parties will correct or withdraw such filing(s) and the responsible Party will make all necessary filings with respect to such incident. Subject to the terms of Section 18.(a), each Party agrees to pay for the cost and expense of removal and clean up of any pollution, contamination or release caused by or attributable to such Party.

(f) Company will furnish any equipment, supplies and services that are listed as "Additional Company Responsibilities" in the applicable Work Order.

4. Service Fees and Reimbursements.

(a) Company will pay Contractor the Service Fees and reimbursable expenses set forth in Exhibit B.

(b) All Service Fees are exclusive of applicable sales and use tax.

(c) The Services provided under this Agreement are based on the applicable laws and regulations existing at the time of the execution of this Agreement. Any changes in applicable laws or regulations, changes in governmental enforcement practices, or any new applicable laws or regulations (including those related to taxes, permits, fees and duties) that have the effect of increasing Contractor's costs, potential or actual liability or risks, or obligations with respect to the provision of the Services, shall entitle Contractor to fair and equitable modifications to this Agreement (including changes in Services and Service Fees), which modifications the Parties agree to negotiate in good faith and in a timely fashion.

5. Payment Terms.

(a) All Service Fees shall be due and payable by Company to Contractor within thirty (30) days of the date of the invoice therefor. Company shall pay Contractor via ACH or wire transfer to the account designated by Contractor from time to time.

(b) All Service Fees shall be made without abatement, reduction or set off of any nature, including any thereof arising out of any present or future claim Company may have against Contractor under any other Work Order, this Agreement, or any other agreement between the Parties or their affiliates.

(c) If Company fails to pay to Contractor any Service Fees or other charges when due, Company also shall pay to Contractor interest thereon from the due date thereof to the date of payment at a rate equal to the lesser of: (a) [*][1] per month or (b) the maximum rate permitted by applicable law.

(d) All stated fees and other charges set forth in this Agreement or any Work Order are exclusive of applicable sales and use taxes, and Company shall be responsible for the payment of any and all such taxes.

(e) In addition to any other rights or remedies of Contractor, upon any payment default by Company under any Work Order or this Agreement (even if subsequently cured), or if

[1] The appearance of [*] denotes confidential information that has been omitted from this exhibit and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

in Contractor's reasonable discretion Company's creditworthiness has significantly declined from the Effective Date of this Agreement, Contractor shall have the right and option to require, for each Work Order then outstanding and any new Work Orders, advance payment for Services on a monthly basis and/or to require other cash advances or other credit enhancements for Company's obligations hereunder as reasonably determined by Contractor.

6. Title and Risk of Loss of Equipment; Personal Property; No Encumbrances.

(a) Contractor shall be solely responsible for the Equipment and shall bear the risk of loss of or casualty to the Equipment, except as otherwise provided in Section 15(b) below.

(b) Company agrees and acknowledges that: (i) all Equipment is and shall remain the personal property of Contractor (or if applicable Contractor's lessor); Company shall not have any rights or interest in the Equipment; and Company shall not take any action that is inconsistent with the foregoing; (ii) the Equipment shall be and remain personal property and shall not be, or be deemed to be, a fixture or a part of any realty; (iii) any Equipment at a Site shall not be removed from any Site by Company, nor shall Company allow the removal of the Equipment by any third party from any Site; (iv) Company expressly subordinates to any lender or lessor of Contractor any liens or other rights that Company may have at law or in equity in or with respect to any of the Equipment; and (v) Company will not damage, obscure, change or remove any insignia, serial number or lettering on the Equipment or nameplates.

7. Licenses, Permits and Compliance with Laws.

(a) Except as expressly provided in a Work Order, Company shall obtain and maintain all licenses and permits required in relation to the operations at the Site. Upon request Company will provide copies of such licenses and permits to Contractor prior to the commencement of the Services. Company shall release, defend, indemnify, and hold harmless Contractor from and against any and all Claims related to or resulting from any failure by Company to obtain and/or maintain such licenses or permits in accordance with this Section 7(a).

(b) Contractor agrees to comply with applicable laws related to the provision of the Services and with applicable licenses and permits related to the provision of the Services and the operation of the Equipment, provided that Company has provided Contractor with copies of such licenses and permits.

8. Limited Warranties.

(a) Contractor warrants that the Services will be provided in a good and workmanlike manner and in accordance with good oilfield practices.

(b) CONTRACTOR MAKES NO OTHER REPRESENTATIONS AND DISCLAIMS ALL OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY.

(c) If any portion of the Services fails to meet the warranties set forth in Section 8(a), Contractor shall re-perform or correct such deficient Services without additional cost to Company. ***Such re-performance or correction shall be Company's sole and exclusive remedy with respect to any breach of such warranties.***

9. Records.

(a) Contractor agrees to keep and maintain records reflecting the Direct Costs associated with each Dedicated Frac Spread and related Services for two years and shall make such records available for examination, audit, review and inspection by Company (or any agent on its behalf) at Company's expense and at reasonable times during normal business hours upon request by Distributor at least once per quarter per calendar year.

(b) If, pursuant to its right to audit or inspect or otherwise, Company discovers that any amount paid to Contractor exceeds the amount Contractor is entitled to receive based on the pricing methodology set forth in Section 1 above, then Company shall promptly notify Contractor in writing of such excess and Contractor and Company shall work in good faith to resolve such dispute.

(c) If Contractor and Company agree that the amount paid to Contractor exceeds the applicable pricing based on Section 1 above, Contractor shall be responsible for repayment of the excess. If such amount exceeds seven and one-half percent (7.5%) of the total amounts due for the Services during the periods reviewed by Company, then Contractor shall be further responsible to reimburse Company for all reasonable expenses of such audit or inspection.

10. Confidentiality.

(a) Each Party undertakes to treat as confidential all information in any medium or format (whether marked "confidential" or not) which that Party (the "**Receiving Party**") receives during the term of this Agreement and for the purposes of this Agreement from the other Party (the "**Disclosing Party**"), either directly or from any person, firm, company or organization associated with the Disclosing Party (the "**Confidential Information**").

(b) The Receiving Party may use the Confidential Information of the Disclosing Party for the purposes of this Agreement, and the Receiving Party may provide its employees, directors, suppliers, agents, subcontractors and professional advisers with access to such Confidential Information. Each Party shall ensure that its employees, agents and subcontractors comply with its obligations of confidence. Where such recipient is not an employee or director of the relevant Receiving Party, the Receiving Party shall provide the Confidential Information to such permitted persons subject to reasonable and appropriate obligations of confidence. For the avoidance of doubt, the Receiving Party shall be responsible for any breach of the provisions of this Section 10 by its employees, directors, suppliers, agents, subcontractors or professional advisers.

(c) The provisions of this Section 10 shall not apply to any information which (i) enters the public domain other than as a result of a breach of this Section 10, (ii) is received from a third party which is under no confidentiality obligations, (iii) is independently developed by a Party without use of the other Party's Confidential Information or (iv) was previously known to a Party. In addition, the Receiving Party may disclose the Confidential Information of the Disclosing Party where required to do so by law or by any competent regulatory authority; provided that the

Receiving Party shall give the Disclosing Party prompt advance written notice of the disclosures (where lawful and practical to do so) so that the Disclosing Party has sufficient opportunity (where reasonably possible) to prevent or control the manner of disclosure by appropriate legal means.

(d) Except to the extent required under this Agreement or required for purposes of complying with applicable law, including environmental, health and safety laws and reporting provisions thereunder, all Confidential Information, in written or other tangible media, shall be returned to the Disclosing Party within thirty (30) days following the expiration, termination or cancellation of this Agreement, and all electronic Confidential Information shall be deleted from the Receiving Party's systems.

(e) The provisions of this Section 10 shall survive the expiration, termination or cancellation of this Agreement.

11. Non-Solicitation. During the Term and for a period of one year after the end of the Term, a Party shall not, directly or indirectly, knowingly solicit for employment, offer employment to or employ or retain (whether as an employee, officer, agent, consultant, advisor or in any other capacity) any employee of the other Party, unless otherwise agreed by the other Party in writing; *provided*, *however*, the foregoing shall not prohibit solicitations through general public advertising or other publications of general public circulation or general solicitations by an employment agency not specifically targeting the other Party's employees, or the hiring of any employee of the other Party who contacts the hiring Party as a result of such general advertising, publications or solicitations.

12. Contractor's Safety Responsibilities.

(a) Contractor shall be responsible for the safety of the agents, employees and representatives of Contractor or its subcontractors, and for the invitees and guests of Contractor or its subcontractors. Company shall provide Contractor with any information related to the activities at a Site and to any safety rules applicable to a Site and will provide Contractor with training materials for safety that it provides to its agents, employees and representatives or to any invitees and guests of Contractor or its subcontractors at the Site..

(b) Subject to any limitations related to confidentiality or attorney client privilege, Contractor agrees to provide Company, upon request, with copies of all work-related injury and/or accident reports prepared or obtained by Contractor relating to accidents occurring on premises where Contractor is working pursuant to this Agreement, as well as documentation, upon request, which reflects work-related injury and/or accident frequency rates and applicable employee training.

(c) Notwithstanding the provisions of this Section 12 or Section 15(a), the Parties acknowledge and agree that Company (i) shall be solely responsible for the condition of the Site, (ii) shall ensure that the conditions at the Site are at all times sufficient for the provision of the Services in a safe manner and (iii) shall release, defend, indemnify, and hold harmless Contractor and its Group from and against any and all Claims for any personal injury to any of Contractor's agents, employees, representatives, subcontractors, invitees and guests arising out of or resulting from any unsafe conditions at the Site.

13. Insurance. Company and Contractor shall each maintain in full force and effect during the term of this Agreement, at its sole cost and expense, the insurance described below:

(a) Commercial General Liability, including bodily injury, property damage, independent Contractor, products/completed operations, contractual and personal injury liability, with a combined single limit of $2,000,000 per occurrence and $4,000,000 annual aggregate.

(b) State Worker's Compensation insurance with statutory limits.

(c) Employer's Liability insurance with limits of not less than $1,000,000 per occurrence and aggregate for disease.

(d) Commercial Automobile Liability insurance covering owned, non-owned and hired vehicles for a combined single limit of $1,000,000 per occurrence.

(e) Excess Liability Insurance over that required in Sections 13(a)(i), (iii) and (iv) above, which shall provide coverage at least as broad as the underlying policies, with minimum limits and annual aggregate of $1,000,000, and specifically including contractual liability.

(f) The policies required pursuant to Section 13(a) are referred to as the "**Required Policies**". Each Party's Group (as defined in Section 15(a)) shall be named as additional insureds on the Required Policies (except the Worker's Compensation and Employer's Liability policies) and provided a waiver of subrogation with respect to the Required Policies by the other Party, but such naming and waiving obligations both shall be only to the extent of the release, defense and indemnity obligations expressly assumed by the named insured Party under this Agreement. To that same extent only, the Required Policies shall be primary as to any other existing, valid and collectible insurance otherwise available to the non-procuring/additional insured Party's Group. The obligations of each Party, with respect to the maintenance of insurance under this Agreement, are in support of, but separate and apart from, each Party's respective indemnification obligations under this Agreement, and such indemnification obligations shall not be limited in amount or scope to coverages provided by the insurance required by this Section 13.

(g) Evidence of this insurance coverage shall be provided through a Certificate of Insurance prepared by each Party's insurance representative and shall note that the insurance policy must provide for notice, in accordance with the provisions of such policy, of any termination or cancellation of the terms of such insurance material to the other Party or Parties. Each Party shall provide the other Party with a Certificate of Insurance prior to commencing the Services, or upon request.

(h) Any and all deductibles and/or self-insured retentions shall be at the sole risk of, and borne fully by, the named insured.

14. Force Majeure.

(a) If the performance of any part of this Agreement by either Party is prevented, hindered or delayed by a reason of Force Majeure, other than the obligation to pay money hereunder, then such Party's performance so far as it is affected by such Force Majeure shall be excused during the continuation of the Force Majeure event. The Party rendered unable to perform hereunder, in full or in material part, promptly shall provide written notice to the other Party of the Force Majeure event and shall, as far as practicable, remedy the cause for the Force Majeure with all reasonable dispatch.

(b) "**Force Majeure**" means a circumstance or event beyond the reasonable control of a Party, including acts of God or a public enemy; accidents, failure or breakdown of any equipment, fires, floods or droughts; strikes, work stoppages, shortage of materials, cars, fuel, electric power or labor; road closures, rail car shortages or other delays in transportation; plant closure; compliance with any governmental order or regulation; or the curtailment or suspension of activities to remedy or avoid an actual or alleged, present or prospective enforcement of federal, state or local environmental standards.

(c) In the event that a Force Majeure suspension continues for thirty (30) consecutive days, Company may request that the Services be provided at an alternate location and Contractor shall use commercially reasonable efforts to provide such Services at such alternate location until such event of Force Majeure has been remedied.

15. Indemnities.

(a) In General. Except as otherwise provided in this Agreement, each Party agrees to release, defend, indemnify, and hold harmless the other Party and its respective group from and against any and all claims, damages, liabilities, losses, demands, liens, encumbrances, causes of action of any kind, costs and expenses (including reasonable attorneys' fees), judgments, interest, and awards, whether created by law, equity, contract, tort, or otherwise (collectively, "**Claims**") for (i) any personal injury to any of the indemnifying Party's Group and/or (ii) property loss or damage relating to the facilities and equipment of the indemnifying Party's Group. For purposes of the foregoing, a Party's "**Group**" means that Party and its contractors (except that Company's Group excludes Contractor and its subcontractors), subcontractors, co-interest owners, joint venturers, co-lessees, and invitees, and their respective affiliates, shareholders, officers, directors, employees, agents, consultants, and servants.

(b) Liability for Contractor's Equipment. Notwithstanding any provision to the contrary in this Agreement, to the maximum extent allowed by applicable law, Company shall shall release, defend, indemnify and hold Contractor harmless from and against, any and all Claims related to the damage to or loss of any of the Equipment that is caused by or arises as a result of (i) any operating conditions that are outside normal operating conditions or the particular specifications set forth in the applicable Work Order, or (ii) the negligence or willful misconduct of Company or its employees, agents or contractors.

(c) Liability for Environmental Matters. Notwithstanding anything contained in this Agreement to the contrary, and to the maximum extent permitted by applicable law, Company shall release, defend, indemnify and hold the Contractor Group harmless from and against any and all Claims resulting from any hazardous substance, hazardous material, oil and constituents thereof, or hazardous waste regulated by any applicable law, and from any pollution or contamination of any kind or any cleanup or remediation thereof, other than surface spillage of fuels or chemicals directly emanating from the Equipment that is solely attributable to the negligence of Contractor.

(d) Liability for Underground Property Matters. Notwithstanding anything contained in this Agreement to the contrary, and to the maximum extent permitted by applicable law, Company shall release, defend, indemnify and hold the Contractor Group harmless from and against any and all Claims related to any injury to, destruction of, or loss of or impairment of, any property right in or to the oil, gas, or other mineral substance or water, or to any loss of or damage to any formation, strata or reservoir beneath the surface of the Site ground.

(e) Scope of Indemnification. The obligations of each Party to indemnify the other Party under this Section 15 shall apply **EVEN IF SUCH CLAIMS ARE CONTRIBUTED TO OR CAUSED BY THE SOLE, JOINT, COMPARATIVE, CONCURRENT, ACTIVE OR PASSIVE NEGLIGENCE OF THE INDEMNIFIED PARTY OR ANY MEMBER OF ITS GROUP, STRICT LIABILITY, IMPERFECTION OF MATERIAL, DEFECT OR FAILURE OF EQUIPMENT, BREACH OF REPRESENTATION OR WARRANTY (EXPRESS OR IMPLIED), ULTRA-HAZARDOUS ACTIVITY, TORT, BREACH OF CONTRACT, BREACH OF STATUTORY DUTY, BREACH OF ANY SAFETY REQUIREMENT OR REGULATION, OR OTHER FAULT OF THE INDEMNIFIED PARTY OR ANY MEMBER OF ITS GROUP.** However such indemnification obligations shall not apply in the event of the gross negligence or willful misconduct of the indemnified Party.

(f) Indemnification: Saving Clauses. The indemnities in this Agreement shall only be effective to the maximum extent permitted by the applicable law. If any law is enacted in any state that limits in any way the extent of which indemnification may be provided to an indemnitee and such law is applicable to a particular Services Contract, then that Services Contract shall automatically be amended to provide that the indemnification provided hereunder shall extend only to the maximum extent permitted by the applicable law, but shall extend to such maximum extent.

(g) Indemnity Not Altered by Third Party Obligations. All indemnities in this Agreement shall apply even though an insurer or other person or entity is required to pay for any Claim or to make a contribution to such Claim. Even though insurance may be arranged or other persons or entities may have certain liabilities or obligations, each Party remains responsible for its indemnity and other obligations under this Agreement, even if such insurer or such other person or entity, for any reason, does not pay.

16. Defaults; Remedies.

(a) In General. Except as provided in Section 16(b), a Party shall be in default under this Agreement (i) if such Party fails to fully and timely perform any of its covenants or agreements in this Agreement or any Work Order and such failure has not been excused or cured within forty five (45) days of its receipt of written notice from the other Party that specifically describes such failure; or (ii) if such Party dissolves or otherwise terminates its existence or becomes insolvent (however evidenced) or bankrupt, commits any act of bankruptcy, makes an assignment for the benefit of creditors, suspends the transaction of its usual business, or consents to the appointment of a trustee or receiver, or a trustee or a receiver has been appointed for such Party or for a substantial part of its property, or if bankruptcy, reorganization, insolvency, or similar proceedings shall be instituted by or against such Party. In the event of such a default by a Party, then in addition to any other rights or remedies that the non-defaulting Party may have at law or in equity, the non-defaulting Party may by written notice to the defaulting Party: (x) immediately terminate this Agreement and/or the applicable Work Order; and/or (y) enforce performance by the defaulting Party of the applicable covenants of this Agreement and/or to recover damages for the breach thereof (subject to the limitations set forth in this Agreement).

(b) Payment Default by Company. If Company fails to make any payment when due of Service Fees or other charges payable under a Services Contract, and such failure has not been cured within ten (10) business days of such due date, then in addition to any other rights or remedies that Contractor may have at law or in equity, Contractor may by written notice to Company: (i) immediately suspend all Services under this Agreement and all then-outstanding Work Orders, provided in such event Company shall remain liable for and shall continue to be obligated to pay any Service Fees under this Agreement and such Work Orders as they accrue; (ii) immediately terminate the applicable Work Order, and Company's rights thereunder, or terminate the applicable Work Order at any time during any such suspension period; and/or (iii) immediately terminate any or all Work Orders entered into by Company under this Agreement or terminate any or all of the Work Orders in effect at any time during any such suspension period.

17. Effect of Termination of this Agreement.

(a) Upon the termination of this Agreement, Company shall remain liable for all Service Fees and other charges for Services performed under this Agreement through the date of termination and for all costs and expenses of demobilization of Contractor's Equipment.

(b) In connection with Contractor's demobilization of the Equipment, Company will provide Contractor with full ingress and egress access to the applicable well locations. Company shall be responsible for any removal of any foundations, buried pipelines or equipment and any and all site remediation.

(c) Sections 3, 4, 5, 6, 8, 9, 10, 11, 15, 17, 18 and 19 shall survive the termination of this Agreement.

18. Limitation of Liability; Waiver of Consequential Damages.

(a) Notwithstanding anything contained herein, the aggregate liability of Contractor for Claims made by Company in respect of loss or damage arising out of or in connection with the provision of the Services or any breach of Contractor's obligations under any Services Contract, whether arising for breach of contract, tort, negligence or otherwise, shall not exceed the total amount paid by Company to Contractor under this Agreement and the applicable Work Orders in the previous ninety (90) days from the date on which such claim arose.

(b) Notwithstanding anything in this Agreement to the contrary, **NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR SPECIAL, INDIRECT OR CONSEQUENTIAL, PUNITIVE, INCIDENTAL, SPECIAL OR EXEMPLARY DAMAGES RESULTING FROM OR ARISING OUT OF THIS AGREEMENT OR ANY WORK ORDER, OR FROM ANY LOSS OF USE, LOSS OF DATA, LOSS OF ASSETS, LOSS OF BUSINESS, LOSS OF PROFIT OR BUSINESS INTERRUPTIONS, HOWEVER SAME MAY BE CAUSED AND REGARDLESS OF THE SOLE OR CONCURRENT NEGLIGENCE OF THE OTHER PARTY, EVEN IF SUCH PARTY HAS BEEN ADVISED OF, OR OTHERWISE COULD HAVE ANTICIPATED THE POSSIBILITY OF, SUCH DAMAGES OR LIABILITIES IN ADVANCE.**

(c) Neither Party may assert against the other Party any claim through mediation, arbitration or litigation for breach or nonperformance in connection with this Agreement unless the asserting Party has given the other Party written notice of the Claim within two (2) years after the asserting Party first knew or reasonably should have known of the underlying facts giving rise to such Claim.

19. General Provisions.

(a) In connection with this Agreement, each Party is an independent contractor. This Agreement establishes and will only be construed as establishing a contract for the provision and purchase of certain services and does not and will not be deemed to create a joint venture, partnership, fiduciary or agency relationship between the Parties for any purpose. Each of the Parties understands and agrees that this Agreement does not create an exclusive dealings arrangement and that each of Company and Contractor may enter into similar arrangements with others to provide or be provided the same or similar services. With respect to its own personnel, each Party is independently responsible for all obligations incumbent upon an employer.

(b) Neither Party may assign its rights or obligations under this Agreement without the prior written consent of the other Party, which consent will not be unreasonably withheld; except that either Party may assign its rights and delegate its duties under this Agreement (i) by way of merger or sale of all or substantially all of the ownership interests or assets of Contractor in one or a series of related transactions; (ii) to a subsidiary or an affiliate of Contractor upon notice to Company together with an assumption of this Agreement by such subsidiary or affiliate; or (iii) in connection with any financing. Contractor may also assign any Service Fees or other charges due under this Agreement or any Work Order to any third party, and Company, on receiving notice of any such assignment, shall abide thereby and make payment as may therein be directed. In the event of any permitted assignment of this Agreement by either Party, the designated assignee shall assume, in writing, the rights and obligations of the assigning Party under this Agreement; provided that the assigning Party shall not be released from any of its liabilities or obligations arising under this Agreement prior to such assignment.

(c) Any notice provided or permitted to be given under this Agreement shall be in writing, and may be served by personal delivery, by registered or certified U.S. mail, addressed to the party to be notified, postage prepaid, return receipt requested; or by nationally recognized delivery service. Notice deposited in the mail in the manner hereinabove described shall be deemed to have been given and received on the date of the delivery as shown on the return receipt. Notice served in any other manner shall be deemed to have been given and received only if and when actually received by the addressee. All notices shall be addressed as follows:

If to Contractor:

If to Company:

Any party may, by written notice so delivered to the other party, change the address or individual to which delivery shall thereafter be made.

(d) Notices sent by facsimile or email transmission will not be effective for any purpose under this Agreement; and while in the course of normal contract administration the Parties may choose to use email transmissions for convenience, all notices of a legal nature or required under the terms of this Agreement (such as, but not limited to, a notice of termination of this Agreement, dispute, claim, indemnification, default, or breach or failure to make payment) must be given in accordance with Section 19(c) above. Except as otherwise set forth in Section 19(m), the Parties do not consent to conduct any of the transactions contemplated by this Agreement by electronic means, and electronic notices and signatures shall not be effective except as provided in Section 19(m).

(e) This Agreement and all Work Orders and other instruments executed in accordance herewith governed by and construed in accordance with the laws of the State of Delaware (except to the extent that mandatory provisions of federal law govern), without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of Delaware..

(f) THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE COURT OF CHANCERY OF THE STATE OF DELAWARE (OR, IF THE COURT OF CHANCERY OF THE STATE OF DELAWARE OR THE DELAWARE SUPREME COURT DETERMINES THAT, NOTWITHSTANDING SECTION 111 OF THE DELAWARE GENERAL CORPORATION LAW, THE COURT OF CHANCERY DOES NOT HAVE OR SHOULD NOT EXERCISE SUBJECT MATTER JURISDICTION OVER SUCH MATTER, THE SUPERIOR COURT OF THE STATE OF DELAWARE) AND THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE STATE OF DELAWARE IN RESPECT OF THE INTERPRETATION AND ENFORCEMENT OF THE PROVISIONS OF THIS AGREEMENT AND ANY AND ALL WORK ORDERS AND OTHER INSTRUMENTS EXECUTED IN ACCORDANCE HEREWITH, AND HEREBY WAIVE, AND AGREE NOT TO ASSERT, AS A DEFENSE IN ANY PROCEEDING FOR INTERPRETATION OR ENFORCEMENT HEREOF OR ANY SUCH DOCUMENT THAT IS NOT SUBJECT THERETO OR THAT SUCH PROCEEDING MAY NOT BE BROUGHT OR IS NOT MAINTAINABLE IN SAID COURTS OR THAT VENUE THEREOF MAY NOT BE APPROPRIATE OR THAT THIS AGREEMENT OR ANY SUCH DOCUMENT MAY NOT BE ENFORCED IN OR BY SUCH COURTS, AND THE PARTIES HERETO IRREVOCABLY AGREE THAT ALL CLAIMS WITH RESPECT TO SUCH PROCEEDING SHALL BE HEARD AND DETERMINED EXCLUSIVELY BY SUCH A DELAWARE STATE OR FEDERAL COURT. THE PARTIES HEREBY CONSENT TO AND GRANT ANY SUCH COURT JURISDICTION OVER THE PERSON OF SUCH PARTIES AND OVER THE SUBJECT MATTER OF SUCH DISPUTE AND AGREE THAT MAILING OF PROCESS OR OTHER PAPERS IN CONNECTION WITH SUCH PROCEEDING IN THE MANNER PROVIDED IN SECTION 19(C) OR IN SUCH OTHER MANNER AS MAY BE PERMITTED BY LAW SHALL BE VALID AND SUFFICIENT SERVICE THEREOF.

(g) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR ANY WORK ORDERS OR OTHER INSTRUMENTS EXECUTED IN ACCORDANCE HEREWITH IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY WORK ORDERS OR ANY OTHER INSTRUMENTS EXECUTED IN ACCORDANCE HEREWITH. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO

REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER; (ii) SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THE FOREGOING WAIVER; (iii) SUCH PARTY MAKES THE FOREGOING WAIVER VOLUNTARILY, AND (iv) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, EACH WORK ORDER AND EACH OTHER INSTRUMENT EXECUTED IN ACCORDANCE HEREWITH BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION 19(G)..

(h) **NOTWITHSTANDING ANY VERBAL OR WRITTEN WORK ORDERS, DELIVERY TICKETS OR OTHER INSTRUMENTS USED BY THE PARTIES IN CONNECTION WITH THE SERVICES, THE TERMS AND PROVISIONS OF THIS AGREEMENT SHALL CONTROL AND GOVERN ALL SERVICES.**

(i) This Agreement, including its appendices, exhibits and schedules, (a) constitutes the entire Agreement between the Parties with respect to the subject matter hereof, (b) supersedes any existing agreements between them whether oral or written and (c) shall control and govern all transactions between the Parties with respect to the provision of the Services. The terms of this Agreement shall only be amended, modified or supplemented as set forth herein or in a writing signed by or on behalf of both of the Parties, which writing must specifically reference and identify the provision of this Agreement to be modified and the intention to modify this Agreement must be explicitly stated. Acceptance of an Order is insufficient to amend this Agreement unless a separate writing is duly executed by all the Parties specifically amending this Agreement..

(j) No failure or delay by either Party in exercising any of its rights under this Agreement shall be deemed to be waiver of that right, and no waiver by either Party of a breach of any provision of this Agreement shall be deemed to be a waiver of any subsequent breach of the same or any other provision.

(k) If any term or other provision of this Agreement is found to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

(l) Any Party who substantially prevails (giving due consideration to all relevant circumstances and not merely to which party obtains a judgment or recovery in its favor) in asserting or defending a claim or suit arising out of a transaction covered by this Agreement shall be awarded, in addition to all other damages allowed under law, its costs, fees and expenses, including reasonable attorneys' fees and costs.

(m) This Agreement, any amendment to this Agreement or any Work Order may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument. The exchange of copies of this Agreement, any amendment to this Agreement or any Work Order and of signature pages by facsimile transmission (whether directly from one facsimile device to another by means of a dial-up connection or whether otherwise transmitted via electronic transmission), by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, or by a combination of such means, shall constitute effective execution and delivery of this Agreement, such amendment to this Agreement or such Work Order, as applicable, as to the Parties and may be used in lieu of an original thereof for all purposes. Signatures of the Parties transmitted by facsimile or other electronic transmission shall be deemed to be original signatures for all purposes. Minor variations in the form of signature pages of this Agreement, any amendment to this Agreement or any Work Order, including footers from earlier versions thereof, shall be disregarded in determining a Party's intent or the effectiveness of such signature.

IN WITNESS WHEREOF, this Agreement has been duly executed by and on behalf of the Parties hereto as of the Effective Date.

STINGRAY PRESSURE PUMPING LLC

By: /s/ Marc McCarthy
Name: Marc McCarthy
Title: Vice President

GULFPORT ENERGY CORPORATION

By: /s/ Michael G. Moore
Name: Michael G. Moore
Title: Chief Executive Officer & President

EXHIBIT A

DESCRIPTION OF THE SERVICES

1. Description of Services.

(a) Dedicated Frac Spread and Related Services.

(i) Contractor will make available to Company two Dedicated Frac Spreads for the provision of hydraulic fracturing, stimulation and related completion services for Company's wells in the Services Area, the first of which shall be available to Company commencing on October 1, 2014 and the second of which shall be available to Company commencing on November 1, 2014 (which respect to each Dedicated Frac Spread, the "**In-Service Date**"), and during each month during the Term, Contractor shall perform, as requested by Company, up to [*][1] stages per month with each Dedicated Frac Spread.

(ii) Each Dedicated Frac Spread shall be comprised of [*][1] of Contractor's standard pressure pumping units (together will any ancillary equipment to be provided by Contractor, the "**Equipment**").

(iii) Contractor shall be responsible for selecting all Equipment which will be used to provide the Services and may, at any time during the Term and at its cost, install or substitute Equipment to be utilized by Contractor in the performance of the Services, provided that Contractor will provide Company with a performance calculation for such Equipment that demonstrates such Equipment will satisfy the applicable operating conditions. Company shall not have any right to restrict Contractor from removing any Equipment from the Site.

(b) Scheduled Maintenance. Contractor shall perform all scheduled maintenance on the Equipment pursuant to a schedule established by Contractor and provided to Company on a quarterly basis not to exceed [*][1] between rig up and rig down between jobs except as a result of a Force Majeure event. Contractor will use commercially reasonable efforts to stage the scheduled maintenance on the Equipment to minimize any interruptions of Service to Company. During any periods of scheduled maintenance, Company shall continue to pay Contractor the applicable Service Fee.

(c) Unscheduled Maintenance. Contractor shall perform all unscheduled maintenance on the Equipment using commercially reasonable efforts to minimize any interruptions of Service to Company. Periods of unscheduled maintenance are not to exceed [*][1] per job except as a result of a Force Majeure event. During any periods of unscheduled maintenance, Company shall continue to pay Contractor the applicable Service Fee.

(d) Availability. Contractor is providing Equipment that provides for a certain amount of redundancy of pumping units and other key equipment to enable it to provide the Services as required by Company except as a result of a Force Majeure event.

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[1] Denotes confidential information that has been omitted from this exhibit and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

EXHIBIT B

SERVICE FEES AND REIMBURSABLE EXPENSES

1. Service Fees and Reimbursable Expenses.

(a) Company will pay service fees for each Dedicated Frac Spread, commencing, with respect to each Dedicated Frac Spread (which for clarity includes all related Equipment), on the In-Service Date set forth in Exhibit A with respect to such Dedicated Frac Spread, equal to the "Direct Costs" of providing such Services plus a monthly fee of $[*][1] (which amount shall be subject to annual CPI adjustment as set forth in Section 1(e) below).

(b) "**Direct Cost**" means, for Services related to each Dedicated Frac Spread, all of Contractor's fully-burdened, standard costs of producing the Services, as determined in accordance Contractor's normal and customary accounting practices, including without duplication the following costs and expenses used in the performance of the Services with such Dedicated Frac Spread:

(i) All personnel related expenses, including:

(A) all wages, salaries, bonuses, benefits (including all overtime) for Contractor's field crews and QA/QC personnel providing the Services related to such Dedicated Frac Spread, and including without duplication the fully-burdened costs for all of the Dedicated Crew for such Dedicated Frac Spread (whether or not such Dedicated Crew is providing the Services or idle waiting Work Orders from Company, unless such idle time is solely related to Contractor's failure to provide the Equipment or labor at a Site pursuant to a mutually agreed Work Order);

(B) all drug screens or tests incidental to meeting any of Company's onsite personnel policies related to the Services at a Site; and

(C) all meals and travel expenses incurred by any Contractor personnel providing any of the Services at a Site, pursuant to Contractor's standard reimbursement policy for such expenses; and

(ii) All expenses incurred at a Site to perform any of the Services, including:

(A) any fuel used by Contractor;

(B) any insurance related to the performance of the Services, or casualty insurance for the Dedicated Frac Spread;

(C) all tools and safety supplies;

[1] Denotes confidential information that has been omitted from this exhibit and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

(D) all rental expenses for Equipment used at a Site that is not owned by Contractor;

(E) all testing and sampling of chemicals, materials and proppants; and

(F) all utilities and communications used by Contractor; and

(iii) all chemicals and other materials used by Contractor (subject to Company's right to specify the brand or supplier of such chemicals and other materials, and further subject to the reasonable availability of such brand or from such supplier), provided, however, if Contractor performs more than 80 Stages per month with a Dedicated Frac Spread, any chemicals and other materials used or consumed for such excess Stages will be invoiced based on Contractor's standard price list less a [*] [1] discount rather than at Contractor's "standard cost" of such chemicals and materials; and

(iv) All expenses incurred for the planned and unplanned repair and maintenance of the Dedicated Frac Spread (whether treated as a capital expense or a normal operating expense), including:

(A) all replacement parts and consumable items used in such repair and maintenance, including Contractor's internal costs of loading, unloading, storing and handling any such parts or items;

(B) all labor costs used in such repair and maintenance at Contractor's fully burdened rates; and

(C) a facility use charge based on Contractor's normal practices; and

(v) A fixed SG&A amount of $[*][1] per month (which amount shall be subject to annual CPI adjustment as set forth in Section 1(e) below);

(vi) All expenses incurred for the transportation of the Equipment, proppant, chemicals and other materials to or from a Site, including:

(A) all highway permits and licenses required for the transportation of such materials to or from a Site;

(B) all expenses incurred with any third party carriers with respect to the transportation of such materials to or from a Site;

(vii) Contractor's actual expenses incurred with any subcontractor related to the performance of any Services; and

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[1] Denotes confidential information that has been omitted from this exhibit and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

(viii) Any other reasonable and customary out-of-pocket costs incurred by Supplier in connection with the provision of the Services at a Site or the storage of the Equipment, proppant, chemicals or other materials at a Site; and

(c) Contractor's Direct Cost will be determined by Contractor on a monthly basis in accordance with its normal and customary accounting practices, except that the repair and maintenance costs of the Equipment shall be billed based on a fixed monthly amount of $[*][1] per Dedicated Frac Spread and reconciled quarterly to reflect Contractor's actual repair and maintenance costs; provided, however, that in no event will Company be obligated to pay for such costs in excess of $[*][1] per Dedicated Frac Spread per month.

(d) An example of the calculation of Direct Cost is set forth in Exhibit B-1.

(e) The fixed fees noted above in Sections 1(a) and 1(b)(iv) shall be subject to annual inflation adjustment based on changes to the Consumer Price Index (US City Average, All Items.

[1] Denotes confidential information that has been omitted from this exhibit and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Exhibit 31.1

CERTIFICATION

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

1. I have reviewed this Quarterly Report on Form 10-Q of Gulfport Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our super vision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 6, 2014

/s/ Michael G. Moore

Michael G. Moore

Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION

I, Aaron Gaydosik, Chief Financial Officer of Gulfport Energy Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gulfport Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 6, 2014

/s/ Aaron Gaydosik

Aaron Gaydosik
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PERIODIC REPORT

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

(1) the Quarterly Report on Form10-Q of the Company for the quarterly period ended September 30, 2014 (the "Report") fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2014

/s/ Michael G. Moore
Michael G. Moore
Chief Executive Officer and President

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

Exhibit 32.2

CERTIFICATION OF PERIODIC REPORT

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

(1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2014 (the “Report”) fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2014

/s/ Aaron Gaydosik
Aaron Gaydosik
Chief Financial Officer

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