

Gastar Exploration Inc.
Form S-4
March 17, 2014
Table of Contents

As filed with the Securities and Exchange Commission on March 14, 2014

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Gastar Exploration Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1311
(Primary Standard Industrial
Classification Code Number)

38-3531640
(I.R.S. Employer
Identification Number)

Edgar Filing: Gastar Exploration Inc. - Form S-4

1331 Lamar Street, Suite 650

Houston, Texas 77010

(713) 739-1800

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

J. Russell Porter

1331 Lamar Street, Suite 650

Houston, Texas 77010

(713) 739-1800

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

James M. Prince

Sarah K. Morgan

Vinson & Elkins L.L.P.

1001 Fannin Street, Suite 2500

Houston, Texas 77002

(713) 758-2222

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

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

Edgar Filing: Gastar Exploration Inc. - Form S-4

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

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

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

Large accelerated filer " Accelerated filer x

Non-accelerated filer " (Do not check if a smaller reporting company) Smaller reporting company "

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
8 5/8% Senior Secured Notes due 2018	\$325,000,000	100%	\$325,000,000	\$41,860

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

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

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 14, 2014

PROSPECTUS

Gastar Exploration Inc.

(formerly Gastar Exploration USA, Inc.)

Offer to exchange up to

\$325,000,000 aggregate principal amount of 8 5/8% Senior Secured Notes due 2018

that have been registered under the Securities Act of 1933, as amended

for

\$325,000,000 aggregate principal amount of 8 5/8% Senior Secured Notes due 2018

that have not been registered under the Securities Act of 1933, as amended

The exchange offer and withdrawal rights will expire at

5:00 p.m., New York City time, on _____, 2014 unless extended.

We are offering to exchange up to \$325,000,000 aggregate principal amount of our new 8 5/8% Senior Secured Notes due 2018, which have been registered under the Securities Act of 1933, as amended (the Securities Act), referred to in this prospectus as the new notes, for any and all of our outstanding unregistered 8 5/8% Senior Secured Notes due 2018, referred to in this prospectus as the old notes. We issued \$200,000,000 aggregate principal amount of the old notes on May 15, 2013 and an additional \$125,000,000 aggregate principal amount of the old notes on November 15, 2013 in transactions not requiring registration under the Securities Act. We are offering you new notes in exchange for old notes in order to satisfy our obligations under registration rights agreements we entered into with the initial purchasers of the old notes. The new notes will represent the same debt as the old notes and we will issue the new notes under the same indenture as the old notes. The new notes offered hereby, together with any old notes that remain outstanding after the completion of the exchange offer, will be treated as a single class under the indenture governing

them. The old notes and the new notes are collectively referred to in this prospectus as the notes.

Please read Risk Factors beginning on page 8 of this prospectus for a discussion of factors you should consider before participating in the exchange offer.

We will exchange the new notes for all outstanding old notes that are validly tendered and not withdrawn before expiration of the exchange offer. You may withdraw tenders of old notes at any time prior to the expiration of the exchange offer. The exchange procedure is more fully described in Exchange Offer Procedures for Tendering. If you fail to tender your old notes, you will continue to hold unregistered notes that you will not be able to freely transfer.

The terms of the new notes are substantially identical to the old notes, except that the transfer restrictions, registration rights and provisions for additional interest applicable to the old notes do not apply to the new notes. Please read Description of New Notes for more details on the terms of the new notes. We will not receive any cash proceeds from the issuance of the new notes in the exchange offer.

Each broker-dealer that receives new notes for its own account pursuant to this offering must acknowledge that it will deliver this prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 180 days after the exchange date (as such period may be extended), we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. Please read Plan of Distribution.

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

The date of this prospectus is _____, 2014.

Table of Contents

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission, or the SEC. In making your decision whether to participate in the exchange offer, you should rely only on the information contained in or incorporated by reference into this prospectus and in the letter of transmittal accompanying this prospectus. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. We are not making an offer to sell these securities in any state or jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus or in the documents incorporated by reference into this prospectus are accurate as of any date other than the date on the front cover of this prospectus or the date of such incorporated documents, as the case may be.

This prospectus incorporates by reference important business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge upon written or oral request directed to: Gastar Exploration Inc., 1331 Lamar Street, Suite 650, Houston, Texas 77010, Attn: Investor Relations, (713) 739-1800. To obtain timely delivery, you must request the information no later than , 2014.

TABLE OF CONTENTS

<u>SUMMARY</u>	1
<u>RISK FACTORS</u>	8
<u>USE OF PROCEEDS</u>	17
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	18
<u>EXCHANGE OFFER</u>	19
<u>DESCRIPTION OF NEW NOTES</u>	25
<u>CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES</u>	79
<u>PLAN OF DISTRIBUTION</u>	80
<u>LEGAL MATTERS</u>	82
<u>EXPERTS</u>	82
<u>AVAILABLE INFORMATION</u>	83
<u>INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE</u>	84

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated herein contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical fact included or incorporated by reference in this prospectus are forward-looking statements, including, without limitation, all statements regarding future plans, business objectives, strategies, expected future financial position or performance, expected future operational position or performance, budgets and projected costs, future competitive position or goals and/or projections of management for future operations. In some cases, you can identify a forward-looking statement by terminology such as may, will, could, should, expect, plan, project, intend, believe, estimate, predict, potential, pursue, target or continue, the negative of such terms or variations thereof or other comparable terminology.

The forward-looking statements included or incorporated by reference in this prospectus are largely based on our expectations and beliefs concerning future developments and their potential effect on us, which reflect certain estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions, operating trends and other factors. Forward-looking statements may include statements that relate to, among other things, our:

financial position;

business strategy and budgets;

anticipated capital expenditures;

drilling of wells, including the anticipated scheduling and results of such operations;

natural gas, oil and natural gas liquids (NGLs) reserves;

timing and amount of future production of natural gas, condensate, oil and NGLs;

operating costs and other expenses;

cash flow and anticipated liquidity;

prospect development; and

property acquisitions and sales.

Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. As such, management's assumptions about future events may prove to be inaccurate. For a more detailed description of the known material factors that could cause actual results to differ from those in the forward-looking statements, see "Risk Factors" beginning on page 8 of this prospectus and other risks set forth in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events, changes in circumstances or otherwise. These cautionary statements qualify all forward-looking statements attributable to us, or persons acting on our behalf. Management cautions all readers that the forward-looking statements included or incorporated by reference in this prospectus are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or that the events and circumstances they describe will occur. Factors that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements herein include, but are not limited to:

our ability to integrate acquired assets with ours and to realize the anticipated benefits from such acquisitions;

the supply and demand for natural gas, condensate, oil and NGLs;

Table of Contents

low and/or declining prices for natural gas, condensate, oil and NGLs;

natural gas, condensate, oil and NGLs price volatility;

worldwide political and economic conditions and conditions in the energy market;

our ability to raise capital to fund planned capital expenditures or repay or refinance debt upon maturity;

the ability and willingness of our current or potential counterparties, third-party operators or vendors to enter into transactions with us and/or to fulfill their obligations to us;

failure of our joint interest partners to fund any or all of their portion of any capital program;

the ability to find, acquire, market, develop and produce new natural gas and oil properties;

uncertainties about the estimated quantities of natural gas and oil reserves and in the projection of future rates of production and timing of development expenditures of proved reserves;

strength and financial resources of competitors;

availability and cost of material and equipment, such as drilling rigs and transportation pipelines;

availability and cost of natural gas and NGLs processing and transportation;

changes or advances in technology;

the risks associated with exploration, including cost overruns and the drilling of non-economic wells or dry wells, operating hazards inherent to the natural gas and oil business and down hole drilling and completion risks that are generally not recoverable from third parties or insurance;

potential mechanical failure or under-performance of significant wells or pipeline mishaps;

environmental risks;

possible new legislative initiatives and regulatory changes potentially adversely impacting our business and industry, including, but not limited to, national healthcare, hydraulic fracturing, state and federal corporate income taxes, retroactive royalty or production tax regimes, changes in environmental regulations, environmental risks and liability under federal, state and local environmental laws and regulations;

effects of the application of applicable laws and regulations, including changes in such regulations or the interpretation thereof;

potential losses from pending or possible future claims, litigation or enforcement actions;

potential defects in title to our properties or lease termination due to lack of activity or other disputes with mineral lease and royalty owners, whether regarding calculation and payment of royalties or otherwise;

the weather, including the occurrence of any adverse weather conditions and/or natural disasters affecting our business;

our ability to find and retain skilled personnel; and

any other factors that impact or could impact the exploration of natural gas or oil resources, including, but not limited to, the geology of a resource, the total amount and costs to develop recoverable reserves, legal title, regulatory, natural gas administration, marketing and operational factors relating to the extraction of natural gas and oil.

You should not unduly rely on these forward-looking statements included or incorporated by reference in this prospectus, as they speak only as of the date of this prospectus. Except as required by law, we undertake no obligation to publicly update, revise or release any revisions to these forward-looking statements after the date on which they are made to reflect new information, events or circumstances occurring after the date of this prospectus or to reflect the occurrence of unanticipated events.

Table of Contents**SUMMARY**

This summary highlights basic information about our business and this offering. It does not contain all of the information that you should consider before deciding whether to exchange your old notes. For a more complete understanding of our Company and the exchange offer, we encourage you to read this entire document, including Risk Factors and the financial and other information included or incorporated by reference in this prospectus, Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (our 2013 Annual Report) and the other documents to which we have referred.

Company Overview

We are an independent energy company engaged in the exploration, development and production of oil, natural gas, condensate and NGLs in the United States. Our principal business activities include the identification, acquisition, and subsequent exploration and development of oil and natural gas properties with an emphasis on unconventional reserves such as shale resource plays. We are currently pursuing the development of liquids-rich natural gas in the Marcellus Shale and Utica Shale in West Virginia and are also in the early stages of exploring and developing the Hunton Limestone horizontal oil play in Oklahoma.

On January 31, 2014, our parent company, Gastar Exploration, Inc. (Parent), merged with and into us, as part of a reorganization to eliminate Parent's holding company corporate structure. Pursuant to the merger agreement, we changed our name from Gastar Exploration USA, Inc., to Gastar Exploration Inc. .

Our principal executive offices are located at 1331 Lamar Street, Suite 650, Houston, Texas 77010. Our telephone number at that address is (713) 739-1800. Our website address is <http://www.gastar.com>. We make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website, as soon as reasonably practicable. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website as part of this prospectus.

For additional information as to our business and financial condition, please refer to the documents cited in Incorporation of Certain Documents by Reference.

Risk Factors

Investing in the notes involves substantial risks. You should carefully consider all the information contained in this prospectus prior to participating in the exchange offer. In particular, we urge you to consider carefully the factors set forth under Risk Factors in this prospectus and our 2013 Annual Report, together with all of the other information included or incorporated by reference in this prospectus.

Ratio of Earnings to Fixed Charges

The following table sets forth the consolidated ratio of earnings to fixed charges for the periods presented:

	Year Ended December 31,				
	2009	2010	2011	2012	2013
Ratio of Earnings to Fixed Charges(1)	10.8x				4.0x

- (1) The ratio of earnings to fixed charges was less than one-to-one for the years ended December 31, 2010, 2011 and 2012. Additional earnings of \$12.8 million, \$0.1 million and \$147.1 million, respectively, would have been needed to have a one-to-one ratio of earnings to fixed charges.

Table of Contents

Exchange Offer

On May 15, 2013, we completed a private placement of \$200,000,000 in aggregate principal amount of our 8 5/8% Senior Secured Notes due 2018, or the old notes. On November 15, 2013, we completed a private placement of an additional \$125,000,000 in aggregate principal amount of our old notes. As part of these private placements, we entered into registration rights agreements with the initial purchasers of the old notes in which we agreed, among other things, to deliver this prospectus to you and to use our reasonable best efforts to cause an exchange offer registration statement to be declared effective under the Securities Act within 360 days after May 15, 2013. The following is a summary of the exchange offer. For more information about the notes, see Description of Notes.

Old Notes

On May 15, 2013, we issued \$200,000,000 aggregate principal amount of our old notes. On November 15, 2013, we issued an additional \$125,000,000 in aggregate principal amount of our old notes.

New Notes

The terms of the new notes are substantially identical to the terms of the old notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the old notes do not apply to the new notes. The new notes offered hereby, together with any old notes that remain outstanding after the completion of the exchange offer, will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The new notes will have a CUSIP number different from that of any old notes that remain outstanding after the completion of the exchange offer.

Exchange Offer

We are offering to exchange up to \$325,000,000 aggregate principal amount of new notes that have been registered under the Securities Act for an equal amount of the old notes that have not been registered under the Securities Act to satisfy our obligations under the registration rights agreements that we entered into when we issued the old notes in transactions exempt from registration under the Securities Act.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on _____, 2014, unless we decide to extend it.

Conditions to the Exchange Offer

The registration rights agreements do not require us to accept old notes for exchange if the exchange offer or the making of any exchange by a holder of the old notes would violate any applicable law or interpretation of the staff of the SEC or if any legal action has been instituted or threatened that would impair our ability to proceed with the exchange offer. A minimum aggregate principal amount of old notes being tendered is not a condition to the exchange offer. Please read Exchange

Offer Conditions to the Exchange Offer for more information about the conditions to the exchange offer.

Procedures for Tendering Old Notes

All of the old notes are held in book-entry form through the facilities of The Depository Trust Company, or DTC. To participate in the exchange offer, you must follow the automatic tender offer program, or ATOP, procedures established by DTC for tendering notes held

Table of Contents

in book-entry form. The ATOP procedures require that the exchange agent receive, prior to the expiration date of the exchange offer, a computer-generated message known as an agent's message that is transmitted through ATOP, and that DTC confirm that:

DTC has received instruction to exchange your old notes; and

you agree to be bound by the terms of the letter of transmittal in Annex A hereto.

For more details, please read Exchange Offer Terms of the Exchange Offer and Exchange Offer Procedures for Tendering.

Guaranteed Delivery Procedures

None.

Withdrawal of Tenders

You may withdraw your tender of old notes at any time prior to the expiration date. To withdraw, you must submit a notice of withdrawal to the exchange agent using ATOP procedures before 5:00 p.m., New York City time, on the expiration date of the exchange offer. Please read Exchange Offer Withdrawal of Tenders.

Acceptance of Old Notes and Delivery of New Notes

If you fulfill all conditions required for proper acceptance of the old notes, we will accept any and all old notes that you properly tender and do not validly withdraw before 5:00 p.m., New York City time, on the expiration date of the exchange offer. We will return any old notes that we do not accept for exchange to you without expense promptly after the expiration date of the exchange offer. We will deliver the new notes promptly after the expiration date of the exchange offer. Please read Exchange Offer Terms of the Exchange Offer.

Fees and Expenses

We will bear all expenses related to the exchange offer. Please read Exchange Offer Fees and Expenses.

Use of Proceeds

The issuance of the new notes will not provide us with any new proceeds. We are making the exchange offer solely to satisfy our obligations under the registration rights agreements.

Consequences of Failure to Exchange Old Notes

If you do not exchange your old notes in the exchange offer, you will no longer be able to require us to register the old notes under the Securities

Act, except in the limited circumstances provided under the registration rights agreements. In addition, you will not be able to resell, offer to resell or otherwise transfer the old notes unless we have registered the old notes under the Securities Act, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act.

Table of Contents

U.S. Federal Income Tax Consequences The exchange of new notes for old notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. Please read Certain U.S. Federal Income Tax Consequences.

Exchange Agent We have appointed Wells Fargo Bank, N.A. as the exchange agent for the exchange offer. You should direct questions and requests for assistance and requests for additional copies of this prospectus (including the letter of transmittal) to the exchange agent addressed as follows:

By Registered & Certified Mail:

Wells Fargo Bank, N.A.

Corporate Trust Operations

MAC N9303-121

PO Box 1517

Minneapolis, Minnesota 55480

By regular mail or overnight courier:

Wells Fargo Bank, N.A.

Corporate Trust Operations

MAC N9303-121

Sixth & Marquette Avenue

Minneapolis, Minnesota 55479

In person by hand only:

Wells Fargo Bank, N.A.

12th Floor Northstar East Building

Corporate Trust Operations

608 Second Avenue South

Minneapolis, Minnesota 55402

Table of Contents

Eligible institutions may make requests by facsimile at (612) 667-6282 and may confirm facsimile delivery by calling (800) 344-5128.

Table of Contents

Terms of the New Notes

The new notes will be substantially identical to the old notes, except that the new notes are registered under the Securities Act and will not have restrictions on transfer, registration rights or provisions for additional interest. The new notes will evidence the same debt as the old notes, and the same indenture will govern the new notes and the old notes. In this prospectus, we sometimes refer to the new notes and the old notes, collectively, as the notes.

The following summary contains basic information about the new notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the new notes, please read Description of New Notes.

Issuer	Gastar Exploration Inc. (formerly Gastar Exploration USA, Inc.)
Notes Offered	\$325,000,000 aggregate principal amount of 8 5/8% Senior Secured Notes due 2018.
Maturity Date	May 15, 2018.
Interest Payment Dates	We will pay interest in cash on the notes at an annual rate of 8 5/8%.
Guarantees	The new notes will not initially be guaranteed by any of our existing subsidiaries. In the future, the notes may be guaranteed by one or more of our existing subsidiaries and certain future domestic subsidiaries.
Ranking	<p>The notes will be our and our subsidiary guarantors' senior secured obligations and will:</p> <ul style="list-style-type: none"> rank equal in right of payment with all of our and our subsidiary guarantors' existing and future senior indebtedness; rank senior in right of payment to all of our and our subsidiary guarantors' existing and future subordinated indebtedness; be effectively junior to our and our subsidiary guarantors' indebtedness and obligations under our revolving credit facility to the extent of the value of the assets securing our revolving credit facility;

be effectively senior to all existing and future senior unsecured debt to the extent of the value of the collateral; and

be structurally subordinated to all indebtedness and other liabilities of each of our existing and future non-guarantor subsidiaries.

Security Interest

The notes and any future guarantees will be secured by a lien on substantially all of our and our subsidiary guarantors' current proved and probable reserves and certain other assets, subject to certain exceptions; provided, however that pursuant to the terms of an intercreditor agreement, the security interest in those assets that secure the notes and any guarantees will be contractually subordinated to liens thereon that secure our revolving credit facility and certain other permitted indebtedness. Consequently, the notes and any future guarantees will be effectively subordinated to our

Table of Contents

revolving credit facility and such other indebtedness to the extent of the value of such assets. See Description of New Notes Collateral and Description of New Notes Intercreditor Agreement.

Intercreditor Agreement

The collateral agent and trustee under the indenture governing the notes and the administrative agent under our revolving credit facility entered into an intercreditor agreement as to the relative priorities of their respective security interests in the collateral and certain other matters relating to the administration of security interests. See Description of New Notes Intercreditor Agreement.

Optional Redemption

On or after May 15, 2015, we may redeem some or all of the notes at a premium that will decrease over time as set forth under Description of New Notes Optional Redemption, plus accrued and unpaid interest, if any, to the date of redemption.

Prior to May 15, 2015, we may, at our option, redeem up to 35% of the aggregate principal amount of the notes using the net proceeds of certain equity offerings at a price equal to 108.625% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption; provided that, following any and all such redemptions, at least 65% of the aggregate principal amount of the notes originally issued under the indenture remains outstanding and the redemption occurs within 90 days of the closing of such equity offering.

During each 12-month period prior to May 15, 2015, we may redeem up to 10% of the aggregate principal amount of the notes at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest, if any.

In addition, at any time prior to May 15, 2015, we may, at our option, redeem all or a part of the notes, upon not less than 30 nor more than 60 days notice, at a redemption price equal to 100% of the principal amount of the notes redeemed plus a specified make-whole premium, plus accrued and unpaid interest, if any, to the applicable date of redemption.

If we or any of our restricted subsidiaries sell assets in the Marcellus Shale play, we may, at our option, redeem up to \$100.0 million aggregate principal amount of the notes with funds in an amount not greater than the proceeds of any such sale, at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; *provided* that such redemption date occurs no later than

six months after the closing date of the sale of such assets. See
Description of New Notes Optional Redemption.

Change of Control Offer

If we experience certain kinds of changes of control, each holder of the notes will have the right to require us to repurchase all or any part of their notes at an offer price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.

Table of Contents

Asset Sale Proceeds	Upon certain asset sales, we may be required to use an amount of cash equal to the net cash proceeds of such sales to repurchase a portion of the notes at a price in cash equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.
Certain Covenants	<p>The indenture governing the notes contains covenants that limit our ability and the ability of our restricted subsidiaries to, among other things:</p> <ul style="list-style-type: none">transfer or sell assets or use asset sale proceeds;pay dividends or make distributions, redeem subordinated debt or make other restricted payments;make certain investments;incur or guarantee additional debt or issue preferred equity securities;create or incur certain liens on our assets;incur dividend or other payment restrictions affecting our future restricted subsidiaries;merge, consolidate or transfer all or substantially all of our assets;enter into certain transactions with affiliates; andenter into certain sale and leaseback transactions. <p>These covenants are subject to a number of important exceptions and qualifications and are described in more detail in Description of New Notes Certain Covenants.</p>
Absence of a Public Market for the Notes	The new notes are a new series of securities for which there is currently no established trading market. A market for the new notes may not develop, or if one does develop, it may not provide adequate liquidity.

Edgar Filing: Gastar Exploration Inc. - Form S-4

We do not intend to apply for a listing of the new notes on any securities exchange or any automated dealer quotation system.

Transfer Restrictions

The new notes generally will be freely tradeable.

Risk Factors

You should carefully consider all of the information set forth in this prospectus and, in particular, you should evaluate the risks described under Risk Factors.

Table of Contents

RISK FACTORS

You should consider carefully these risks together with all of the other information included or incorporated by reference in this prospectus and the documents to which we have referred you before deciding whether to exchange your old notes. All of the risks described below could materially and adversely affect our business prospects, financial condition, operating results and cash flows, which in turn could adversely affect our ability to satisfy our obligations under the notes.

Risks Related to the Exchange Offer

If you do not properly tender your old notes, you will continue to hold unregistered outstanding notes and your ability to transfer outstanding notes will be adversely affected.

We will only issue new notes in exchange for old notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the old notes and you should carefully follow the instructions on how to tender your old notes. Neither we nor the exchange agent is required to tell you of any defects or irregularities with respect to your tender of old notes. Please read Exchange Offer Procedures for Tendering and Description of New Notes.

If you do not exchange your old notes for new notes in the exchange offer, you will continue to be subject to the restrictions on transfer of your old notes described in the legend on the certificates for your old notes. In general, you may only offer or sell the old notes if they are registered under the Securities Act and applicable state securities laws, or offer and sell under an exemption from these requirements. We do not plan to register any sale of the old notes under the Securities Act. For further information regarding the consequences of failing to exchange your old notes in the exchange offer, please read Exchange Offer Consequences of Failure to Exchange.

You may find it difficult to sell your new notes.

The new notes are a new issue of securities and, although the new notes will be registered under the Securities Act, the new notes will not be listed on any securities exchange. Because there is no public market for the new notes, you may not be able to resell them.

We cannot assure you that an active market will develop for the new notes or that any trading market that does develop will be liquid. If an active market does not develop or is not maintained, the market price and liquidity of the new notes may be adversely affected. If a market for the new notes develops, they may trade at a discount from their initial offering price. The trading market for the new notes may be adversely affected by:

changes in the overall market for non-investment grade securities;

changes in our financial performance or prospects;

the financial performance or prospects for companies in our industry generally;

the number of holders of the new notes;

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

prevailing interest rates and general economic conditions.

Historically, the market for non-investment grade debt has been subject to substantial volatility in prices. The market for the new notes, if any, may be subject to similar volatility. Prospective investors in the new notes should be aware that they may be required to bear the financial risks of such investment for an indefinite period of time.

Table of Contents

Some holders who exchange their old notes may be deemed to be underwriters.

If you exchange your old notes in the exchange offer for the purpose of participating in a distribution of the new notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Risks Related to the Notes

Our substantial level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes.

As of December 31, 2013, we had approximately \$325.0 million of total debt outstanding and an additional \$100.0 million of borrowing availability under our revolving credit facility.

Our substantial indebtedness could have important consequences for your investment in the notes and significant effects on our business. For example, it could:

make it more difficult for us to satisfy our financial obligations, including with respect to the notes;

increase our vulnerability to general adverse economic, industry and competitive conditions;

reduce the availability of our cash flow to fund working capital and capital expenditures because we will be required to dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our indebtedness;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

prevent us from raising funds necessary to repurchase notes tendered to us if there is a change of control, which would constitute a default under the indenture governing the notes and under any future permitted first lien indebtedness;

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

limit our ability to borrow additional funds.

Each of these factors may have a material and adverse effect on our financial condition and viability. Our ability to make payments with respect to the notes and to satisfy any other debt obligations will depend on our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors affecting our company and industry, many of which are beyond our control.

Despite current indebtedness levels, we may still be able to incur substantially more debt, which would increase the risks associated with our substantial leverage.

Even with our existing debt levels, we may be able to incur substantial additional indebtedness in the future. Although the indenture governing the notes and the documentation governing our revolving credit facility contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If we incur additional indebtedness, the related risks that we now face would intensify and could further exacerbate the risks associated with our substantial leverage.

We may not be able to generate sufficient cash flow to meet our debt service and other obligations, including the notes, due to events beyond our control.

Our ability to generate cash flows from operations and to make scheduled payments on or refinance our indebtedness, including the notes, and to fund working capital needs and planned capital expenditures will

Table of Contents

depend on our future financial performance and our ability to generate cash in the future. Our future financial performance will be affected by a range of economic, financial, competitive, business and other factors that we cannot control, such as general economic and financial conditions. A significant reduction in operating cash flows resulting from adverse changes in general economic conditions, increased competition or other events beyond our control could increase the need for additional or alternative sources of liquidity and could have a material adverse effect on our business, financial condition, results of operations, prospects and our ability to service our debt and other obligations, including the notes. If we are unable to service our indebtedness or to fund our other liquidity needs, we may be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness, seeking additional capital, or any combination of the foregoing. If we raise additional debt, it would increase our interest expense, leverage and our operating and financial costs. We cannot assure you that any of these alternative strategies could be effected on satisfactory terms, if at all, or that they would yield sufficient funds to make required payments on the notes and any other indebtedness or to fund our other liquidity needs. Reducing or delaying capital expenditures or selling assets could delay future cash flows. In addition, the terms of existing or future debt agreements, including the indenture governing the notes and the documentation governing our revolving credit facility, may restrict us from adopting any of these alternatives. We cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs.

The failure to generate sufficient cash flow or to effect any of these alternatives could significantly adversely affect the value of the notes and our ability to pay amounts due under the notes. If for any reason we are unable to meet our debt service and repayment obligations, including under the notes and under our revolving credit facility, we would be in default under the terms of the agreements governing our indebtedness, which would allow our creditors at that time to declare all outstanding indebtedness to be due and payable. This would likely in turn trigger cross-acceleration or cross-default rights between our applicable debt agreements. Under these circumstances, our lenders could compel us to apply all of our available cash to repay our borrowings or they could prevent us from making payments on the notes. In addition, these lenders could then seek to foreclose on our assets that are their collateral. If the amounts outstanding under the notes or under our revolving credit facility were to be accelerated, or were the subject of foreclosure actions, we cannot assure you that our assets would be sufficient to repay in full the money owed to our debt holders, including you as a noteholder.

The indenture governing the notes and the agreement governing our revolving credit facility impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and restrict our ability to operate our business.

The indenture governing the notes and the agreement governing our revolving credit facility contain customary restrictions on our activities, including covenants that limit our and our subsidiaries' ability to:

transfer or sell assets or use asset sale proceeds;

incur or guarantee additional debt or issue preferred equity securities;

pay dividends, redeem subordinated debt or make other restricted payments;

make certain investments;

create or incur certain liens on our assets;

incur dividend or other payment restrictions affecting our restricted subsidiaries;

enter into certain transactions with affiliates;

merge, consolidate or transfer all or substantially all of our assets;

enter into certain sale and leaseback transactions; and

Table of Contents

take or omit to take any actions that would adversely affect or impair in any material respect the collateral securing the notes.

In addition, our revolving credit facility requires us to meet a fixed charge coverage ratio when excess availability under our revolving credit facility is less than a specified level or a specified event of default occurs for a specified duration.

The restrictions in the indenture governing the notes and in the agreement governing our revolving credit facility may prevent us from taking actions that we believe would be in the best interest of our business, and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We also may incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility. We cannot assure you that we will be granted waivers or amendments to these agreements if for any reason we are unable to comply with these agreements, or that we will be able to refinance our debt on terms acceptable to us, or at all. The breach of any of these covenants and restrictions could result in a default under the indenture governing the notes or under the agreement governing our revolving credit facility. An event of default under our revolving credit facility could permit some of our lenders to declare all amounts borrowed from them to be due and payable.

Our ability to repurchase the notes with cash upon a change of control or upon an offer to repurchase the notes in the case of an asset sale, as required by the indenture governing the notes, may be limited.

Upon the occurrence of a change of control, as defined in the indenture governing the notes, we will be required to offer to repurchase all of the outstanding notes at 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest to the date of repurchase. See Description of New Notes Repurchase at the Option of Holders Change of Control. In addition, upon the occurrence of certain asset sales, as defined in the indenture governing the notes, we will be required to offer to repurchase all of the outstanding notes at 100% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest to the date of repurchase. See Description of New Notes Repurchase at the Option of Holders Asset Sales.

However, it is possible that we will not have sufficient funds at the time of the change of control or upon an asset sale to make the required repurchase of notes, or that restrictions in the agreement governing our revolving credit facility will not allow such repurchases. Our failure to purchase tendered notes would constitute an event of default under the indenture governing the notes, which, in turn, would likely constitute a default under the agreement governing our revolving credit facility. In that event, we would need to cure or refinance our revolving credit facility before making an offer to purchase.

Moreover, the agreement governing our revolving credit facility and the agreements governing any future indebtedness we incur may restrict our ability to repurchase the notes, including following a change of control event or upon an asset sale, as required by the indenture governing the notes. As a result, following such an event, we would not be able to repurchase notes unless we first repaid all such indebtedness or obtained a waiver from the holders of such indebtedness to permit us to repurchase the notes. We may be unable to repay all of that indebtedness or obtain a waiver of that type. Any requirement to offer to repurchase outstanding notes may therefore require us to refinance any other outstanding debt, which we may not be able to do on commercially reasonable terms, if at all. These repurchase requirements may also delay or make it more difficult for others to obtain control of us.

In addition, certain important corporate events, such as takeovers, recapitalizations, restructurings, mergers or similar transactions, may not constitute a change of control under the indenture governing the notes and, therefore, would not permit the holders of the notes to require us to repurchase the notes. See Description of New Notes Repurchase at the Option of Holders Change of Control.

Table of Contents

In addition, the definition of change of control includes a phrase relating to the sale or other transfer of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole. There is no precise definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of all or substantially all of the assets of the Company, and, therefore, it may be unclear as to whether a change of control has occurred and whether the holders of the notes have the right to require us to repurchase such notes.

The value of the noteholders' security interest in the collateral may not be sufficient to satisfy all our obligations under the notes.

The notes and our obligations under our revolving credit facility are secured on a senior secured basis by a lien on substantially all of our current proved reserves and certain other assets, subject to certain permitted liens and certain excluded assets. See Description of New Notes Collateral.

No appraisals of any of the collateral securing the notes have been prepared by us or on behalf of us in connection with this exchange offer. The fair market value of the collateral is subject to fluctuations based on factors that include, among others, our ability to implement our business strategy, the ability to sell the collateral in an orderly sale, general economic conditions, the availability of buyers and similar factors. In addition, courts could limit recovery if they apply non-New York law to a proceeding and deem a portion of the interest claim usurious in violation of public policy. The amount to be received upon the sale of any collateral would be dependent on numerous factors, including, but not limited to, the actual fair market value of the collateral at such time, general market and economic conditions and the timing and the manner of the sale.

In the event of a foreclosure on the collateral (or a distribution in respect thereof in a bankruptcy or insolvency proceeding), the proceeds from such collateral may not be sufficient to satisfy the notes because such proceeds would, under the intercreditor agreement, first be applied to satisfy our obligations under our revolving credit facility and certain hedging and cash management obligations. Only after all of our obligations under our revolving credit facility and such other obligations have been satisfied will proceeds from such collateral be applied to satisfy our obligations under the notes. In addition, in the event of a foreclosure on the notes collateral, the proceeds from such foreclosure may not be sufficient to satisfy our obligations under the notes. In particular, we have not obtained any valuation for the notes collateral.

If we default on the notes, the holders of the notes will be secured only to the extent of the value of the assets underlying their security interest. To prevent foreclosure, we may be motivated to commence voluntary bankruptcy proceedings, or the holders of the notes and/or various other interested persons may be motivated to institute bankruptcy proceedings against us. The commencement of such bankruptcy proceedings would expose the holders of the notes to additional risks, including additional restrictions on exercising rights against collateral. See Rights of holders of notes in the collateral may be adversely affected by bankruptcy proceedings.

The agreement governing our revolving credit facility and the indenture governing the notes allow us to incur additional obligations secured by liens in amounts that may be significant. Any additional indebtedness or obligations secured by a lien on the collateral securing the notes could adversely affect the relative position of the holders of the notes with respect to the collateral securing the notes.

The collateral may be subject to exceptions, defects, encumbrances, liens and other imperfections. Further, the value of the collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers for the collateral. By its nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value. The value of the assets pledged as collateral for the notes could be impaired in the future.

as a result of changing economic conditions, our failure to implement our business strategy, competition or other future trends. There also can be no assurance that the collateral will be saleable, and, even if saleable, the timing of its liquidation would be uncertain.

Table of Contents

Accordingly, there may not be sufficient collateral to pay all or any of the amounts due on the notes. Any claim for the difference between the amount, if any, realized by holders of the notes from the sale of the collateral securing the notes and the obligations under the notes will rank equally in right of payment with all of our other unsecured unsubordinated indebtedness and other obligations, including trade payables.

With respect to some of the collateral, the collateral agent's security interest and ability to foreclose will also be limited by the need to meet certain requirements, such as obtaining third-party consents and making additional filings. If we are unable to obtain these consents or make these filings, the security interests may be invalid and the holders will not be entitled to the collateral or any recovery with respect thereto. We cannot assure you that any such required consents can be obtained on a timely basis or at all. These requirements may limit the number of potential bidders for certain collateral in any foreclosure and may delay any sale, either of which events may have an adverse effect on the sale price of the collateral. Therefore, the practical value of realizing on the collateral may, without the appropriate consents and filings, be limited.

Other secured indebtedness, including indebtedness under our revolving credit facility, will be senior to the notes to the extent of the value of the collateral securing such indebtedness on a first-priority basis.

Obligations under our revolving credit facility are secured by a first-priority lien on substantially all of our current proved and probable reserves and certain other assets. The notes and any future guarantees will be secured by a second-priority lien on the assets. Any rights to payment and claims by the holders of the notes will, therefore, be fully subordinated to any rights to payment and claims by our creditors under our revolving credit facility with respect to distributions of such collateral. Only when our obligations under our revolving credit facility are satisfied in full will the proceeds of the collateral be available, subject to other permitted liens, to satisfy obligations under the notes and any future guarantees. Consequently, the notes and any future guarantees are effectively subordinated to our revolving credit facility to the extent of the value of the collateral. In addition, the indenture governing the notes allows us to incur other permitted liens on our assets, as well as additional indebtedness that may be secured by liens on the collateral, which liens may be prior to the liens securing the notes. Any such indebtedness or other obligations secured by such permitted liens may further limit the recovery from the realization of the value of such collateral available to satisfy holders of the notes.

The security interest in after-acquired property may not be perfected promptly or at all.

Applicable law requires that security interests in certain property acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. If additional subsidiaries are formed or acquired that are required to guarantee the notes pursuant to the terms of the indenture governing the notes, additional financing statements may be required to be filed to perfect the security interests in the assets of such subsidiaries. Depending on the type of the assets constituting after-acquired collateral, additional action may be required to be taken with respect to the notes, or our revolving credit facility, to perfect the security interests in such assets, such as the delivery of physical collateral, the execution of account control agreements or the execution and recordation of mortgages or deeds of trust. Applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the trustee or the collateral agent will monitor, or that we will inform the trustee or collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. Neither the trustee nor the collateral agent has an obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest. Such failure may result in the loss of the security interest in certain of the after-acquired collateral or the priority of the security interest in favor of the notes against third parties.

Table of Contents

There are circumstances other than repayment or discharge of the notes under which the collateral securing the notes and any future guarantees will be released automatically, without holders' consent or the consent of the trustee under the indenture governing the notes.

Under various circumstances, all or a portion of the collateral securing the notes and any future guarantees may be released automatically, including:

a sale, transfer or other disposal of such collateral in a transaction not prohibited under the indenture governing the notes or the documentation governing our revolving credit facility, including the sale of any entity in its entirety that owns or holds such collateral;

to the extent required in accordance with the intercreditor agreement;

to the extent we have defeased or satisfied and discharged the indenture governing the notes; and

with respect to collateral held by any of our subsidiary guarantors, upon the release of such subsidiary guarantor from its guarantee.

In addition, a guarantee will be automatically released in connection with a sale of such subsidiary guarantor in a transaction not prohibited under the indenture governing the notes. The new notes will not initially be guaranteed by any of our existing subsidiaries.

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

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

be subject to the consent of third parties, prior liens and practical problems associated with the realization of the trustee's security interest in the collateral. Moreover, the debtor or trustee in a bankruptcy case may seek to avoid an alleged security interest in collateral for the benefit of the bankruptcy estate. It may successfully do so if the security interest is not properly perfected or was perfected within a specified period of time (generally 90 days) prior to the initiation of such proceeding. Under such circumstances, a creditor may hold no security interest and be treated as holding a general unsecured claim in the bankruptcy case. It is impossible to predict what recovery (if any) would be available for such an unsecured claim if we became a debtor in a bankruptcy case. While U.S. bankruptcy law generally invalidates provisions restricting a debtor's ability to assume and/or assign a contract, there are exceptions to this rule which could be applicable in the event that we become subject to a U.S. bankruptcy proceeding.

Table of Contents

Any future pledge of collateral may be avoidable in bankruptcy.

Any future pledge of collateral in favor of the collateral agent for the notes, including pursuant to security documents delivered after the date of the indenture governing the notes, may be avoidable in bankruptcy if certain events or circumstances exist or occur, including, among others, if:

the pledgor is insolvent at the time of the pledge, the pledge permits the holder of the notes to receive a greater recovery than if the pledge had not been given; and

a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge, or, in certain circumstances, a longer period.

Federal, state and foreign fraudulent transfer laws may permit a court to avoid the notes and any guarantees, subordinate claims in respect of the notes and any guarantees and require noteholders to return payments received. If this occurs, noteholders may not receive any payments on the notes.

Federal, state and foreign fraudulent transfer and conveyance statutes may apply to the issuance of the notes and the incurrence of any guarantees. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state and be different from other applicable foreign jurisdictions, the notes or guarantees could be avoided as a fraudulent transfer or conveyance if (1) we or any of our subsidiary guarantors, as applicable, issued the notes or incurred any guarantees with the intent of hindering, delaying or defrauding creditors or (2) we or any of our subsidiary guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for either issuing the notes or incurring any guarantees and, in the case of (2) only, one of the following is also true at the time thereof:

we or any of our subsidiary guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the notes or the incurrence of any guarantees;

the issuance of the notes or the incurrence of any guarantees left us or any of our subsidiary guarantors, as applicable, with an unreasonably small amount of capital to carry on the business; or

we or any of our subsidiary guarantors intended to, or believed that we or such subsidiary guarantor would, incur debts beyond our or such subsidiary guarantor's ability to pay such debts as they mature.

A court would likely find that we or a subsidiary guarantor did not receive reasonably equivalent value or fair consideration for the notes or any such guarantee if we or such subsidiary guarantor did not substantially benefit directly or indirectly from the issuance of the notes or any applicable guarantee. As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied.

We cannot be certain as to the standards a court would use to determine whether or not we or our subsidiary guarantors were solvent at the relevant time or, regardless of the standard that a court uses, that the issuance of any guarantees would not be further subordinated to our other debt or the debt of our subsidiary guarantors. Generally,

however, an entity would be considered insolvent if, at the time it incurred indebtedness:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets;

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature;
or

it could not pay its debts as they become due.

If a court were to find that the issuance of the notes or the incurrence of any guarantee was a fraudulent transfer or conveyance, the court could avoid the payment obligations under the notes or any such guarantee or further subordinate the notes or any such guarantee to our presently existing and future indebtedness or of the

Table of Contents

related subsidiary guarantor, or require the holders of the notes to repay any amounts received with respect to any such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, noteholders may not receive any repayment on the notes. Further, the avoidance of the notes could result in an event of default with respect to our other debt that could result in acceleration of such debt.

Although any guarantee entered into by a subsidiary guarantor will contain a provision intended to limit that subsidiary guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under any guarantee to be a fraudulent transfer, this provision may not be effective to protect any such guarantees from being avoided under fraudulent transfer law, or may reduce that subsidiary guarantor's obligation to an amount that effectively makes any such guarantee worthless.

In addition, different or additional fraudulent conveyance laws may exist in foreign jurisdictions that could result in the liens being avoided.

If any guarantees by our subsidiary guarantors are not enforceable, the notes would be effectively subordinated to all liabilities of our subsidiary guarantors, including trade payables.

The new notes will not initially be guaranteed by any of our existing subsidiaries.

The value of the collateral securing the notes and any guarantees may not be sufficient to secure post-petition interest.

In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding against us, holders of the notes will only be entitled to post-petition interest under the U.S. Bankruptcy Code to the extent that the value of their security interest in the collateral securing the notes and any guarantees is greater than their pre-bankruptcy claim. Holders of the notes that have a security interest in collateral with a value equal to or less than their prebankruptcy claim will not be entitled to post-petition interest under the U.S. Bankruptcy Code. No appraisal of the fair market value of the collateral has been prepared in connection with this offering and therefore the value of the noteholders interest in the collateral may not equal or exceed the principal amount of the notes.

The trading price of the notes may be volatile.

Historically, the market for non-investment grade debt, such as the notes, has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. Any such disruptions could adversely affect the prices at which you may sell your notes. In addition, the notes may trade at a discount from the initial offering price of the notes, depending on the prevailing interest rates, the market for similar notes, our performance and other factors, many of which are beyond our control.

Changes in respect of the public debt ratings of the notes may materially and adversely affect the availability, cost and terms and conditions of our debt and the trading prices for the notes.

The notes are, and any of our future debt instruments may be, publicly rated by Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P), and other independent rating agencies. These public debt ratings may affect our ability to raise debt. Any future downgrading of the notes or our debt by Moody's, S&P or another rating agency may affect the cost and terms and conditions of our financings and could adversely affect the value and trading price of the notes.

Table of Contents

USE OF PROCEEDS

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

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth the consolidated ratio of earnings to fixed charges for the periods presented:

	Year Ended December 31,				
	2009	2010	2011	2012	2013
Ratio of Earnings to Fixed Charges(1)	10.8x				4.0x

(1) The ratio of earnings to fixed charges was less than one-to-one for the years ended December 31, 2010, 2011 and 2012. Additional earnings of \$12.8 million, \$0.1 million and \$147.1 million, respectively, would have been needed to have a one-to-one ratio of earnings to fixed charges.

For purposes of calculating the ratio of earnings to fixed charges:

fixed charges represent interest expense (including amounts capitalized), amortization of financing costs and the estimated interest portion of operating leases; and

earnings represents net income plus fixed charges and amortization of capitalized interest and less capitalized interest.

Table of Contents

EXCHANGE OFFER

We sold the old notes on May 15, 2013 and November 15, 2013 pursuant to purchase agreements, dated as of May 10, 2013 and November 8, 2013, respectively, by and among us, the guarantors party thereto and the initial purchasers named therein. The old notes were subsequently offered by the initial purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to non-U.S. persons pursuant to Regulation S under the Securities Act. On _____, 2014, each of our existing Subsidiary Guarantors was merged with and into the issuer of the notes. As a result of these mergers, the new notes will not initially be guaranteed by any of our existing subsidiaries.

Purpose of the Exchange Offer

We sold the old notes in transactions that were exempt from or not subject to the registration requirements under the Securities Act. Accordingly, the old notes are subject to transfer restrictions. In general, you may not offer or sell the old notes unless either they are registered under the Securities Act or the offer or sale is exempt from, or not subject to, registration under the Securities Act and applicable state securities laws.

In connection with the sale of the old notes, we entered into registration rights agreements with the initial purchasers of the old notes. In those agreements, we agreed to use our reasonable best efforts to file an exchange offer registration statement after the issue dates of the old notes. Now, to satisfy our obligations under the registration rights agreements, we are offering holders of the old notes, who are able to make certain representations described below, the opportunity to exchange their old notes for the new notes in the exchange offer. The exchange offer will be open for a period of at least 20 business days. During the exchange offer period, we will exchange the new notes for all old notes properly surrendered and not withdrawn before the expiration date. The new notes will be registered under the Securities Act, and the transfer restrictions, registration rights and provisions for additional interest relating to the old notes will not apply to the new notes.

Resale of New Notes

Based on no-action letters of the staff of the SEC issued to third parties, we believe that the new notes may be offered for resale, resold and otherwise transferred by you without further compliance with the registration and prospectus delivery provisions of the Securities Act if:

you are not an affiliate within the meaning of Rule 405 under the Securities Act;

such new notes are acquired in the ordinary course of your business; and

you do not intend to participate in a distribution of the new notes.

The staff of the SEC, however, has not considered the exchange offer for the new notes in the context of a no-action letter, and the staff of the SEC may not make a similar determination as in the no-action letters issued to these third parties.

If you tender in the exchange offer with the intention of participating in any manner in a distribution of the new notes, you:

cannot rely on such interpretations by the staff of the SEC; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

Unless an exemption from registration is otherwise available, any securityholder intending to distribute new notes should be covered by an effective registration statement under the Securities Act. The registration statement should contain the selling securityholder's information required by Item 507 of Regulation S-K under the Securities Act.

This prospectus may be used for an offer to resell, resale or other transfer of new notes only as specifically described in this prospectus. If you are a broker-dealer, you may participate in the exchange offer only if you acquired the old notes as a result of market-making activities or other trading activities. Each broker-dealer that

Table of Contents

receives new notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge by way of the letter of transmittal that it will deliver this prospectus in connection with any resale of the new notes. Please read the section captioned "Plan of Distribution" for more details regarding the transfer of new notes.

Terms of the Exchange Offer

Subject to the terms and conditions described in this prospectus and in the letter of transmittal, we will accept for exchange any old notes properly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. We will issue new notes in principal amount equal to the principal amount of old notes surrendered in the exchange offer. Old notes may be tendered only for new notes and only in denominations of \$2,000 or integral multiples of \$1,000 in excess thereof. We will deliver the new notes promptly after the expiration date of the exchange offer.

The exchange offer is not conditioned upon any minimum aggregate principal amount of old notes being tendered in the exchange offer.

As of the date of this prospectus, \$325,000,000 in aggregate principal amount of our 8 5/8% Senior Secured Notes due 2018 representing old notes are outstanding. This prospectus is being sent to DTC, the sole registered holder of the old notes, as of the date of this prospectus. There will be no fixed record date for determining registered holders of old notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreements, the applicable requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC. Old notes whose holders do not tender the old notes for exchange in the exchange offer will remain outstanding and continue to accrue interest. These old notes will continue to be entitled to the rights and benefits such holders have under the indenture relating to the notes and the registration rights agreements.

We will be deemed to have accepted for exchange properly tendered old notes when we have given oral (promptly confirmed in writing) or written notice of the acceptance to the exchange agent and complied with the applicable provisions of the registration rights agreements. The exchange agent will act as agent for the tendering holders for the purposes of receiving the new notes from us.

If you tender old notes in the exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the letter of transmittal, transfer taxes with respect to the exchange of old notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with the exchange offer. Please read "Fees and Expenses."

We will return any old notes that we do not accept for exchange for any reason without expense to their tendering holders promptly after the expiration or termination of the exchange offer, as applicable.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on _____, 2014, unless, in our sole discretion, we extend it.

Extensions, Delays in Acceptance, Termination or Amendment

We expressly reserve the right, at any time or various times, to extend the period of time during which the exchange offer is open. We may delay acceptance of any old notes by giving written notice of such extension to their holders at any time until the exchange offer expires or terminates. During any such extensions, all old notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange.

Table of Contents

To extend the exchange offer, we will notify the exchange agent orally (promptly confirmed in writing) or in writing of any extension. We will notify the holders of old notes of the extension via a press release issued no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

If any of the conditions described below under **Conditions to the Exchange Offer** have not been satisfied, we reserve the right, in our sole discretion to:

extend the exchange offer;

delay accepting any old notes; or

terminate the exchange offer;

by giving oral (promptly confirmed in writing) or written notice of such delay, extension or termination to the exchange agent. Subject to the terms of the registration rights agreements, we also reserve the right to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by written notice thereof to holders of the old notes. Any notice relating to the extension of the exchange offer will disclose the number of securities tendered as of the date of the notice, as required by Rule 14e-1(d) under the Exchange Act. If we amend the exchange offer in a manner that we determine to constitute a material change, we will promptly disclose such amendment by means of a prospectus supplement. The prospectus supplement will be distributed to holders of the old notes. Depending upon the significance of the amendment and the manner of disclosure to holders, we will extend the exchange offer if it would otherwise expire during such period. If an amendment constitutes a material change to the exchange offer, including the waiver of a material condition, we will extend the exchange offer, if necessary, to remain open for at least five business days after the date of the amendment. In the event of any increase or decrease in the consideration we are offering for the old notes or in the percentage of old notes being sought by us, we will extend the exchange offer to remain open for at least 10 business days after the date we provide notice of such increase or decrease to the registered holders of old notes.

If we delay accepting any old notes or terminate the exchange offer, we will promptly pay the consideration offered, or return any old notes deposited, pursuant to the exchange offer as required by Rule 14e-1(c) under the Exchange Act.

Conditions to the Exchange Offer

We will not be required to accept for exchange, or exchange any new notes for, any old notes if the exchange offer, or the making of any exchange by a holder of old notes, would violate applicable law or any applicable interpretation of the staff of the SEC. Similarly, we may terminate the exchange offer as provided in this prospectus before accepting old notes for exchange in the event of such a potential violation.

We will not be obligated to accept for exchange the old notes of any holder that has not made to us the representations described under **Procedures for Tendering** and **Plan of Distribution** and such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to allow us to use an appropriate form to register the new notes under the Securities Act.

Additionally, we will not accept for exchange any old notes tendered, and will not issue new notes in exchange for any such old notes, if at such time any stop order has been threatened or is in effect with respect to the exchange offer registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939.

Table of Contents

We expressly reserve the right to amend or terminate the exchange offer, and to reject for exchange any old notes not previously accepted for exchange, upon the occurrence of any of the conditions to the exchange offer specified above. We will give written notice of any extension, amendment, non-acceptance or termination to the exchange agent and the holders of the old notes as promptly as practicable.

These conditions are for our sole benefit, and we may assert them or waive them in whole or in part at any time or at various times prior to the expiration of the exchange offer in our sole discretion. If we fail at any time to exercise any of these rights, this failure will not mean that we have waived our rights. Each such right will be deemed an ongoing right that we may assert at any time or at various times prior to the expiration of the exchange offer.

Procedures for Tendering

To participate in the exchange offer, you must properly tender your old notes to the exchange agent as described below. We will only issue new notes in exchange for old notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the old notes, and you should follow carefully the instructions on how to tender your old notes. It is your responsibility to properly tender your old notes. We have the right to waive any defects. However, we are not required to waive defects, and neither we nor the exchange agent is required to notify you of any defects in your tender.

If you have any questions or need help in exchanging your old notes, please call the exchange agent whose address and phone number are described in the letter of transmittal included as Annex A to this prospectus.

All of the old notes were issued in book-entry form, and all of the old notes are currently represented by global certificates registered in the name of Cede & Co., the nominee of DTC. We have confirmed with DTC that the old notes may be tendered using ATOP. The exchange agent will establish an account with DTC for purposes of the exchange offer promptly after the commencement of the exchange offer, and DTC participants may electronically transmit their acceptance of the exchange offer by causing DTC to transfer their old notes to the exchange agent using the ATOP procedures. In connection with the transfer, DTC will send an agent's message to the exchange agent. The agent's message will state that DTC has received instructions from the participant to tender old notes and that the participant agrees to be bound by the terms of the letter of transmittal.

By using the ATOP procedures to exchange old notes, you will not be required to deliver a letter of transmittal to the exchange agent. However, you will be bound by its terms just as if you had signed it.

There is no procedure for guaranteed late delivery of the old notes.

Each broker-dealer that receives new notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. Please read Plan of Distribution.

Determinations Under the Exchange Offer. We will determine in our sole discretion all questions as to the validity, form, eligibility, time of receipt, acceptance of tendered old notes and withdrawal of tendered old notes. Our determination will be final and binding. We reserve the absolute right to reject any old notes not properly tendered or any old notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defect, irregularities or conditions of tender as to particular old notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, all defects or irregularities in connection with tenders of old notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of

old notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of old notes will not be deemed made

Table of Contents

until such defects or irregularities have been cured or waived. Any old notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the tendering holder promptly after the expiration date of the exchange offer.

When We Will Issue New Notes. In all cases, we will issue new notes for old notes that we have accepted for exchange under the exchange offer only after the exchange agent receives, prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer:

a book-entry confirmation of such old notes into the exchange agent's account at DTC; and

a properly transmitted agent's message.

Return of Old Notes Not Accepted or Exchanged. If we do not accept any tendered old notes for exchange or if old notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged old notes will be returned without expense to their tendering holder. Such non-exchanged old notes will be credited to an account maintained with DTC. These actions will occur promptly upon the expiration or termination of the exchange offer, as applicable.

Your Representations to Us. By agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

any new notes that you receive will be acquired in the ordinary course of your business;

you have no arrangement or understanding with any person or entity to participate in the distribution of the new notes in violation of the provisions of the Securities Act;

you are not an affiliate (within the meaning of Rule 405 under the Securities Act); and

if you are a broker-dealer that will receive new notes for your own account in exchange for old notes that were acquired as a result of market-making or other trading activities, then you will deliver a prospectus (or, to the extent permitted by law, make available a prospectus to purchasers) in connection with any resale of the new notes.

Withdrawal of Tenders

Except as otherwise provided in this prospectus, you may withdraw your tender at any time prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. For a withdrawal to be effective, you must comply with the appropriate ATOP procedures. Any notice of withdrawal must specify the name and number of the account at DTC to be credited with withdrawn old notes and otherwise comply with the ATOP procedures.

We will determine all questions as to the validity, form, eligibility and time of receipt of a notice of withdrawal. Our determination shall be final and binding on all parties. We will deem any old notes so withdrawn not to have been

validly tendered for exchange for purposes of the exchange offer.

Any old notes that have been tendered for exchange but that are not exchanged for any reason will be credited to an account maintained with DTC for the old notes. This return or crediting will take place as soon as practicable after withdrawal, rejection of tender, expiration or termination of the exchange offer. You may retender properly withdrawn old notes by following the procedures described under Procedures for Tendering above at any time on or prior to 5:00 p.m., New York City time on the expiration date of the exchange offer.

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, we may make additional solicitation by telephone or in person by our officers and regular employees and those of our affiliates.

Table of Contents

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

We will pay the cash expenses to be incurred in connection with the exchange offer. They include:

SEC registration fees;

fees and expenses of the exchange agent and trustee;

accounting and legal fees and printing costs; and

related fees and expenses.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of old notes in the exchange offer. Each tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if a transfer tax is imposed for any reason other than the exchange of old notes in the exchange offer.

Consequences of Failure to Exchange

If you do not exchange your old notes for new notes in the exchange offer, the old notes you hold will remain outstanding and continue to accrue interest, but will continue to be subject to the existing restrictions on transfer. In general, you may not offer or sell the old notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not intend to register the old notes under the Securities Act unless the registration rights agreement requires us to do so.

Accounting Treatment

We will record the new notes in our accounting records at the same carrying value as the old notes. This carrying value is the aggregate principal amount of the old notes to be accrued over the life of the notes, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer, other than the recognition of the fees and expenses of the offering as stated under Fees and Expenses.

Other

Participation in the exchange offer is voluntary, and you should consider carefully whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered old notes in the open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any old notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered old notes.

Table of Contents

DESCRIPTION OF NEW NOTES

We are offering to exchange up to \$325.0 million aggregate principal amount of our new 8 5/8% Senior Secured Notes due 2018, which have been registered under the Securities Act, referred to in this prospectus as the new notes, for any and all of our outstanding unregistered 8 5/8% Senior Secured Notes due 2018, referred to in this prospectus as the old notes, that we issued on May 15, 2013 and November 15, 2013 in transactions not requiring registration under the Securities Act. We are offering you new notes in exchange for old notes in order to satisfy our obligations from those previous transactions. The new notes will be treated as a single class with any old notes that remain outstanding after the completion of the exchange offer. The old notes and the new notes are collectively referred to in this section as the notes. We issued the old notes under an indenture dated as of May 15, 2013 (the indenture), among us, the Subsidiary Guarantors and Wells Fargo Bank, National Association, as trustee and collateral agent. On _____, 2014, each of our existing Subsidiary Guarantors was merged with and into the issuer of the notes. As a result of these mergers, the new notes will not initially be guaranteed by any of our existing subsidiaries.

The terms of the new notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939. You can find the definitions of certain terms used in this description under the subheading Certain Definitions. In this description, the term Company, us, our or we refers only to Gastar Exp Inc. and not to any of its subsidiaries.

The following description is a summary of the material provisions of the indenture and the Collateral Agreements. It does not restate those agreements in their entirety. We urge you to read the indenture because it, and not this description, define your rights as holders of the notes. Certain defined terms used in this description but not defined below under Certain Definitions have the meanings assigned to them in the indenture.

The registered Holder of a note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the indenture.

Brief Description of the Notes and the Guarantees

The New Notes

The new notes:

will be equal in right of payment to all existing and future senior Indebtedness of the Company;

will be secured by a second priority lien on the Company's principal oil and gas properties and other assets that secure the obligations under the Credit Agreement, subject to certain exceptions and subject to Permitted Liens; and

will be senior in right of payment to any future subordinated Indebtedness of the Company.

The Guarantees

On _____, 2014, each of our existing Subsidiary Guarantors was merged with and into the issuer of the notes. As a result of these mergers, the new notes will not initially be guaranteed by any of our existing subsidiaries. In the

future, the new notes may be guaranteed by one or more of the Company's present domestic Restricted Subsidiaries and its future Material Domestic Subsidiaries.

The Guarantees of the new notes:

will be equal in right of payment to all existing and future senior Indebtedness of each Subsidiary Guarantor;

will be secured by a second priority lien on the Subsidiary Guarantor's principal oil and gas properties and other assets that secure the obligations under the Credit Agreement, subject to certain exceptions and to Permitted Liens; and

Table of Contents

will be senior in right of payment to any future subordinated Indebtedness of each Subsidiary Guarantor. Pursuant to the terms of the Intercreditor Agreement and the other Collateral Agreements described herein, the lien on the assets of the Company and the Subsidiary Guarantors that will secure the new notes and the Guarantees will be contractually subordinated to the liens thereon that secure First Priority Claims, including borrowings under our Credit Agreement and certain hedging obligations. Consequently, the new notes and the Guarantees will be effectively subordinated to the First Priority Claims to the extent of the value of such assets.

As of the date hereof, all of the Company's subsidiaries were Restricted Subsidiaries. However, under the circumstances described below under the subheading Certain Covenants Designation of Restricted and Unrestricted Subsidiaries, the Company will be permitted to designate certain of its subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the indenture. Unrestricted Subsidiaries will not guarantee the notes.

Principal, Maturity and Interest

The Company has issued notes with an initial aggregate principal amount of \$325.0 million. The Company may issue additional notes from time to time after this offering. Any offering of additional notes is subject to the covenant described below under the caption Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock. The notes and any additional notes subsequently issued under the indenture, together with any Exchange Notes, will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, and will share equally and ratably in the Collateral securing the notes. As such, any issuance of additional notes may have the effect of diluting the security afforded by the Collateral for the initial notes. The Company will issue notes in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The notes will mature on May 15, 2018.

Interest on the notes will accrue at the rate of 8.625% per annum. Interest will be payable semi-annually in arrears on May 15 and November 15. The Company will make each interest payment to the Holders of record on the immediately preceding May 1 and November 1.

Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of Receiving Payments on the Notes

If a Holder has given wire transfer instructions to the Company, the Company will pay all principal, interest and premium, if any, on that Holder's notes in accordance with those instructions. All other payments on notes will be made at the office or agency of the paying agent and registrar unless the Company elects to make interest payments by check mailed to the Holders at their address set forth in the register of Holders.

Paying Agent and Registrar for the Notes

The trustee is acting as paying agent and registrar. The Company may change the paying agent or registrar without prior notice to the Holders of the notes, and the Company or any of its Domestic Subsidiaries may act as paying agent.

Transfer and Exchange

A Holder may transfer or exchange notes in accordance with the indenture. The Company or the trustee may require a Holder to furnish appropriate endorsements and transfer documents in connection with a transfer of notes. No service

charge will be imposed for any registration of transfer or exchange of notes, but the Company may require Holders to pay all taxes due on transfer. The Company is not required to transfer or exchange any note selected for redemption. Also, the Company is not required to transfer or exchange any note for a period of 15 days prior to the mailing of a notice of redemption.

Table of Contents

Guarantees

The new notes will not initially be guaranteed by any of our existing subsidiaries. In the future, the notes will be fully and unconditionally guaranteed by each of the Company's newly created or acquired Material Domestic Subsidiaries and by any other Restricted Subsidiary of the Company that guarantees other Indebtedness of the Company. See **Certain Covenants** **Additional Guarantees**. These Guarantees will be joint and several obligations of the Subsidiary Guarantors. The obligations of each Subsidiary Guarantor under its Guarantee will be limited as necessary to prevent that Guarantee from constituting a fraudulent conveyance under applicable law. See **Risk Factors** **Risks Related to the Notes** Federal, state and foreign fraudulent transfer laws may permit a court to avoid the notes and the guarantees, subordinate claims in respect of the notes and the guarantees and require noteholders to return payments received. If this occurs, noteholders may not receive any payments on the notes.

A Subsidiary Guarantor may not consolidate with or merge with or into (whether or not such Subsidiary Guarantor is the surviving Person), another Person, other than the Company or another Subsidiary Guarantor, unless:

- (1) immediately after giving effect to such transaction, no Default or Event of Default exists; and
- (2) either:
 - (a) the Person formed by or surviving any such consolidation or merger (if other than the Subsidiary Guarantor) unconditionally assumes all the obligations of that Subsidiary Guarantor, pursuant to a supplemental indenture substantially in the form specified in the indenture, under the notes, the indenture and its Guarantee on terms set forth therein; or
 - (b) such sale or other disposition does not violate the **Asset Sale** provisions of the indenture.

The Guarantee of a Subsidiary Guarantor will be released:

- (1) in connection with any sale or other disposition of all or substantially all of the properties or assets of that Subsidiary Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the **Asset Sale** provisions of the indenture;
- (2) in connection with any sale or other disposition of the Capital Stock of that Subsidiary Guarantor to a Person that is not such that after giving effect to such transaction, the Subsidiary Guarantor is no longer a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the **Asset Sale** provisions of the indenture;
- (3) if the Company designates any Restricted Subsidiary that is a Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the applicable provisions of the indenture;
- (4) upon Legal Defeasance or Covenant Defeasance with respect to all notes as described below under the caption **Legal Defeasance and Covenant Defeasance** or upon satisfaction and discharge of the indenture as described below under the caption **Satisfaction and Discharge**; or
- (5) as provided in the Intercreditor Agreement.

Collateral

The notes and any future Guarantees will be secured by a lien on the existing and future oil and gas properties and other assets of the Company and the Subsidiary Guarantors that, from time to time, secure the obligations of the Company and the Subsidiary Guarantors under the Credit Agreement, except that the Collateral will not include any Capital Stock of Subsidiaries (the Excluded Collateral) whether or not such Capital Stock is pledged to secure the First Priority Claims. The indenture provides that, subject to satisfaction of certain conditions, the Trustee is authorized and required to release from the liens securing the notes any Collateral that is released by the First Priority Agent.

Table of Contents

In addition, the Company and the Guarantors shall, on a date that is not later than 30 days after the Springing Lien Trigger Date, if an Event of Default is continuing, execute and deliver such mortgages, deeds of trust, security instruments, financing statements and certificates and opinions of counsel as shall be reasonably necessary to vest in the Collateral Agent a valid and perfected security interest, subject only to Permitted Liens, in all the Springing Lien Collateral to secure the notes and the Guarantees and the First Lien Obligations, subject to the Intercreditor Agreement. Any such lien may be subject to avoidance in bankruptcy. See Risk Factors Risks Related to the Notes Any future pledge of collateral may be avoidable in bankruptcy.

Intercreditor Agreement

A summary of certain sections of the Intercreditor Agreement is set forth below.

First Priority Claims; Notes Effectively Subordinated to First Priority Claims. The First Priority Claims will be secured by a Lien on the Collateral, which Lien is contractually senior to the Lien thereon that secures the notes and the Guarantees pursuant to the Intercreditor Agreement. As a result, the notes will be effectively subordinated to the First Priority Claims to the extent of the value of the Collateral.

Relative Priorities. The Intercreditor Agreement provides that notwithstanding the date, manner or order of grant, attachment or perfection of any Lien securing the notes or Guarantees (a Second Priority Lien) or any Lien securing the First Priority Claims (a First Priority Lien), and notwithstanding any provision of the Uniform Commercial Code of any applicable jurisdiction or any other applicable law or the provisions of any Indenture Document or any agreement, instrument or other document evidencing, governing, securing or perfecting any First Priority Claims (collectively, the First Priority Debt Documents and, together with the Indenture Documents, the Debt Documents) or any other circumstance whatsoever, each Agent (*i.e.*, the First Priority Agent and the collateral agent), for itself and on behalf of the Secured Parties (*i.e.*, the holders of the First Priority Claims and the First Priority Agent (collectively, the First Priority Secured Parties) and the Holders, the Trustee and the collateral agent under the Indenture and the other Indenture Documents (the Second Priority Agent and collectively with the Holders and the Trustee, the Second Priority Secured Parties) on whose behalf it acts in such capacity therefor, will agree that, so long as the Discharge of First Priority Claims has not occurred, (a) any First Priority Lien then or thereafter held by or for the benefit of any First Priority Secured Party will be senior in right, priority, operation, effect and all other respects to any and all Second Priority Liens and (b) any Second Priority Lien then or thereafter held by or for the benefit of any Second Priority Secured Party will be junior and subordinate in right, priority, operation, effect and all other respects to any and all First Priority Liens, and the First Priority Liens will be and remain senior in right, priority, operation, effect and all other respects to any Second Priority Liens for all purposes, whether or not any First Priority Liens are subordinated in any respect to any other Lien securing any other obligation of the Company, any Subsidiary Guarantor or any other Person.

Prohibition on Contesting Liens; Additional Collateral. The Intercreditor Agreement provides that (a) each Agent, for itself and on behalf of the other Secured Parties on whose behalf it acts in such capacity therefor, will agree that it will not, and will waive any right to, contest or support any other Person in contesting, in any proceeding (including any insolvency or liquidation proceeding), the priority, validity or enforceability of any Second Priority Lien or any First Priority Lien, as the case may be; *provided* that nothing in the Intercreditor Agreement will be construed to prevent or impair the rights of any Agent or any other Secured Party to enforce the Intercreditor Agreement to the extent provided thereby and (b) if the Company or any Subsidiary Guarantor creates any additional Liens upon any property to secure (i) any First Priority Claims, it must concurrently grant a Lien upon such property (other than Excluded Collateral) as security for the notes or the Guarantee of such Subsidiary Guarantor, as the case may be, and (ii) the notes or Guarantee of such Subsidiary Guarantor, it must concurrently grant a Lien upon such property as security for the First Priority Claims. To the extent that the provisions of the immediately preceding clause (b) are not complied

with for any reason, without limiting any other right or remedy available to the First Priority Agent or the other First Priority Secured Parties, the Second

Table of Contents

Priority Agent will agree, for itself and on behalf of the other Second Priority Secured Parties, that any amounts received by or distributed to any Second Priority Secured Party pursuant to or as a result of any Lien granted in contravention of the Intercreditor Agreement shall be segregated and turned over as provided in the Intercreditor Agreement. Notwithstanding anything in the Intercreditor Agreement to the contrary, cash and cash equivalents may be pledged to secure reimbursement obligations in respect of letters of credit (up to an aggregate amount of the lower of (i) 105% of the aggregate undrawn amount of such letters of credit and (ii) the percentage as may be agreed to by applicable issuer of such letters of credit) without granting a lien thereon to secure any Second Priority Lien.

Exercise of Rights and Remedies. In addition, the Intercreditor Agreement provides that the First Priority Agent and the other holders of First Priority Claims will, at all times prior to the Discharge of First Priority Claims, have the exclusive right to enforce rights and exercise remedies (including any right of setoff) with respect to the Collateral (including making determinations regarding the release, disposition or restrictions with respect to the Collateral), or to commence or seek to commence any action or proceeding with respect to such rights or remedies (including any foreclosure action or proceeding or any insolvency or liquidation proceeding), in each case, without any consultation with or the consent of the Second Priority Agent or any other Second Priority Secured Party and no Second Priority Secured Party will have any such right; *provided, however*, that, notwithstanding the foregoing, (i) in any insolvency or liquidation proceeding, any Second Priority Secured Party may file a proof of claim or statement of interest with respect to the Second Priority Claims; (ii) any Second Priority Secured Party may take any action to preserve or protect the validity and enforceability of the Second Priority Liens, provided that no such action is (A) adverse to the First Priority Liens or the rights of the First Priority Agent or any other First Priority Secured Party to exercise remedies in respect thereof or (B) otherwise inconsistent with the terms of the Intercreditor Agreement, including the automatic release of Second Priority Liens provided therein; (iii) the Second Priority Secured Parties may file any responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any Person objecting to or otherwise seeking the disallowance of the claims of the Second Priority Secured Parties, including any claims secured by the Collateral or otherwise make any agreements or file any motions pertaining to the Second Priority Claims, in each case, to the extent not inconsistent with the terms of the Intercreditor Agreement; (iv) the Second Priority Secured Parties may exercise rights and remedies as unsecured creditors, as provided in the Rights as Unsecured Creditors section below; (v) the Second Priority Secured Parties may vote on any plan of reorganization (subject to the Certain Voting Matters provision set forth below) or file any proof of claim in any insolvency or liquidation proceeding; and (vi) subject to such section, the Second Priority Agent and the other Second Priority Secured Parties may enforce any of their rights and exercise any of their remedies with respect to the Collateral after the termination of the Standstill Period (the actions described in this proviso being referred to herein as the Second Priority Permitted Actions). Except for the Second Priority Permitted Actions, unless and until the Discharge of First Priority Claims has occurred, the sole right of the Second Priority Agent and the other Second Priority Secured Parties with respect to the Collateral shall be to receive the proceeds of the Collateral, if any, remaining after the Discharge of First Priority Claims has occurred and in accordance with the documents related to the Second Priority Claims and applicable law.

In exercising rights and remedies with respect to the Collateral, the First Priority Agent and the other First Priority Secured Parties may enforce the provisions of the First Priority Debt Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to dispose of Collateral upon foreclosure, to incur expenses in connection with any such disposition and to exercise all the rights and remedies of a secured creditor under applicable law.

The Second Priority Agent, for itself and on behalf of the other Second Priority Secured Parties, agreed that no covenant, agreement or restriction contained in any Indenture Documents (other than the Intercreditor Agreement) shall be deemed to restrict in any way the rights and remedies of the First Priority Agent or the other First Priority

Secured Parties with respect to the Collateral as set forth in the Intercreditor Agreement and the other First Priority Debt Documents.

Table of Contents

No Interference; Standstill. The Intercreditor Agreement provides that, whether or not any insolvency or liquidation proceeding or liquidation sale has been commenced, the Second Priority Secured Parties:

(a) except for Second Priority Permitted Actions, will not, so long as the Discharge of First Priority Claims has not occurred, (A) enforce or exercise, or seek to enforce or exercise, any rights or remedies (including any right of setoff) with respect to any Collateral (including the enforcement of any right under any account control agreement, landlord waiver or bailee's letter or any similar agreement or arrangement to which the Second Priority Agent or any other Second Priority Secured Party is a party) or (B) commence or join with any Person (other than the First Priority Agent) in commencing, or petition for or vote in favor of any resolution for, any action or proceeding with respect to such rights or remedies (including any foreclosure action); *provided, however*, that the Second Priority Agent may enforce or exercise any or all such rights and remedies, or commence, join with any Person in commencing, or petition for or vote in favor of any resolution for, any such action or proceeding, after a period of 180 days has elapsed (which period shall be tolled during any period in which the First Priority Agent shall not be entitled to enforce or exercise any rights or remedies with respect to any Collateral as a result of (x) any injunction issued by a court of competent jurisdiction or (y) the automatic stay or any other stay in any insolvency or liquidation Proceeding) since the date on which the Second Priority Agent has delivered to the First Priority Agent written notice of the acceleration of the Indebtedness then outstanding under the Second Priority Debt Agreement (the Standstill Period); *provided further, however*, that (1) notwithstanding the expiration of the Standstill Period or anything herein to the contrary, in no event shall the Second Priority Agent or any other Second Priority Secured Party enforce or exercise any rights or remedies with respect to any Collateral, or commence, join with any Person at any time in commencing, or petition for or vote in favor of any resolution for, any such action or proceeding, if the First Priority Agent or any other First Priority Secured Party shall have commenced, and shall be diligently pursuing (or shall have sought or requested relief from or modification of the automatic stay or any other stay in any insolvency or liquidation proceeding to enable the commencement and pursuit thereof), the enforcement or exercise of any rights or remedies with respect to any material portion of the Collateral or any such action or proceeding (prompt written notice thereof to be given to the Second Priority Agent by the First Priority Agent) and (2) after the expiration of the Standstill Period, so long as neither the First Priority Agent nor the First Priority Secured Parties have commenced any action to enforce their Lien on any material portion of the Collateral, in the event that and for so long as the Second Priority Secured Parties (or the Second Priority Agent on their behalf) have commenced any actions to enforce their Liens with respect to any material portion of the Collateral to the extent permitted hereunder (prompt written notice thereof to be given to the First Priority Agent by the Second Priority Agent) and are diligently pursuing such actions, neither the First Priority Secured Parties nor the First Priority Agent shall take any action of a similar nature with respect to such Collateral; provided that all other provisions of the Intercreditor Agreement (including the turnover provisions set forth therein) are complied with;

(b) will not contest, protest or object to any foreclosure action or proceeding brought by the First Priority Agent or any other First Priority Secured Party, or any other enforcement or exercise by any First Priority Secured Party of any rights or remedies relating to the Collateral under the First Priority Debt Documents or an insolvency or liquidation proceeding or in connection with a liquidation sale or otherwise, so long as Second Priority Liens attach to the proceeds thereof subject to the relative priorities set forth in the Intercreditor Agreement;

(c) will not object to the forbearance by the First Priority Agent or any other First Priority Secured Party from commencing or pursuing any foreclosure action or proceeding or any other enforcement or exercise of any rights or remedies with respect to the Collateral;

(d) will not, so long as the Discharge of First Priority Claims has not occurred and except for Second Priority Permitted Actions, take or receive any Collateral, or any proceeds thereof or payment with respect thereto, in connection with the exercise of any right or enforcement of any remedy (including any right of setoff) with respect to

any Collateral or in connection with any insurance policy award under a policy of insurance relating to any Collateral or any condemnation award (or deed in lieu of condemnation) relating to any Collateral;

Table of Contents

(e) will not, except for Second Priority Permitted Actions, take, or cause to be taken any action that would, or could reasonably be expected to, restrain, hinder, limit, delay or otherwise interfere with, in any manner and whether by judicial proceedings or otherwise, any exercise of remedies under the First Priority Debt Documents, including any disposition of any Collateral, whether by foreclosure or otherwise;

(f) will not, except for Second Priority Permitted Actions, object to the manner in which the First Priority Agent or any other First Priority Secured Party may seek to enforce or collect the First Priority Claims or the First Priority Liens, regardless of whether any action or failure to act by or on behalf of the First Priority Agent or any other First Priority Secured Party is, or could be, adverse to the interests of the Second Priority Secured Parties, and will not assert, and hereby waive, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or claim the benefit of any marshalling, appraisal, valuation or other similar right that may be available under applicable law with respect to the Collateral or any similar rights a junior secured creditor may have under applicable law;

(g) will not attempt, directly or indirectly, whether by judicial proceeding or otherwise, to challenge or question the validity or enforceability of any First Priority Claim or any First Priority Security Document, including the Intercreditor Agreement, or the validity or enforceability of the priorities, rights or obligations established by the Intercreditor Agreement;

(h) will not take or cause to be taken any action the purpose or effect of which is, or could be, to make any Second Lien *pari passu* with, or to give such Second Priority Secured Party any preference or priority relative to, any First Priority Lien with respect to the Collateral or any part thereof;

(i) will not challenge or question in any proceeding the validity or enforceability of any First Priority Claim or First Priority Debt Document, or the validity, attachment, perfection or priority of any First Priority Lien, or the validity or enforceability of the priorities, rights or duties established by the provisions of the Intercreditor Agreement;

(j) will have no right to (A) direct the First Priority Agent or any other First Priority Secured Party to exercise any right, remedy or power with respect to any Collateral (except with respect to Collateral that is in the possession or under the control of the First Priority Agent or other First Priority Secured Party in connection with any permitted enforcement or exercise of rights or remedies by the Second Priority Agent or any other Second Priority Secured Party against the Collateral after the end of the Standstill Period) or (B) consent to the exercise by the First Priority Agent or any other First Priority Secured Party of any right, remedy or power with respect to any Collateral; and

(k) will not institute any suit or assert in any suit or insolvency or liquidation proceeding any claim against the First Priority Agent or any other First Priority Secured Party seeking damages from or other relief by way of specific performance, instructions or otherwise with respect to, and neither the First Priority Agent nor any other First Priority Secured Party shall be liable for, any action taken or omitted to be taken by the First Priority Agent or other First Priority Secured Party with respect to any Collateral in a manner consistent with the Intercreditor Agreement.

Rights as Unsecured Creditors. The Second Priority Agent and the other Second Priority Secured Parties may, in accordance with the terms of the Indenture Documents and applicable law, enforce rights and exercise remedies against the Company or any Guarantor as unsecured creditors; *provided* that no such action is otherwise inconsistent with the terms of the Intercreditor Agreement. Without limiting the generality of the foregoing sentence, the Second Priority Secured Parties shall be entitled to prosecute litigation against any Grantor or any other Person liable in respect of the Second Priority Claims, notwithstanding whether any Standstill Period is then in effect, but shall be prohibited from taking any action to enforce any judgment until the lapse of any applicable Standstill Period. Nothing in the Intercreditor Agreement shall prohibit the receipt by the Second Priority Agent or any other Second Priority

Secured Party of the required payments of principal, premium, interest, fees and other amounts due under the Indenture Documents so long as such receipt is not the direct or indirect result of the enforcement or exercise by the Second Priority Agent or any other Second Priority Secured Party of rights or remedies in contravention of Intercreditor Agreement as a secured creditor (including any right

Table of Contents

of setoff) against Collateral or enforcement in contravention of this Agreement of any Second Priority Lien against Collateral (including any judgment lien resulting from the exercise of remedies available to an unsecured creditor).

Automatic Release of Second Priority Liens. The Intercreditor Agreement also provides that if the First Priority Agent, for itself and on behalf of the other First Priority Secured Parties, (x) releases any of the First Priority Liens, or (y) releases any Subsidiary Guarantor from its obligations under its guarantee of the First Priority Claims (in each case, a Release), in connection with (i) any disposition of any Collateral permitted under the terms of the First Priority Debt Documents or (ii) the enforcement or exercise of any rights or remedies with respect to the Collateral, including any disposition of Collateral, other than any such Release granted following the occurrence of the Discharge of First Priority Claims, then the Second Priority Liens on such Collateral, and the obligations of such Subsidiary Guarantor under its guarantee of the notes, will be automatically, unconditionally and simultaneously released, and the Second Priority Agent will, for itself and on behalf of the other Second Priority Secured Parties, promptly execute and deliver to the First Priority Agent, the Company or such Subsidiary Guarantor, as the case may be, such termination statements, releases and other documents as the First Priority Agent, the Company or such Subsidiary Guarantor, as the case may be, may reasonably request to effectively confirm such Release. Until the Discharge of First Priority Claims occurs, the Second Priority Agent, for itself and on behalf of each other Second Priority Secured Party, will appoint the First Priority Agent, and any officer or agent of the First Priority Agent, with full power of substitution, as the attorney-in-fact of each Second Priority Secured Party for the purpose of carrying out the provisions of this paragraph and taking any action and executing any instrument that the First Priority Agent may deem necessary or advisable to