

GOODRICH PETROLEUM CORP

Form 424B5

July 07, 2008

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The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)
Registration No. 333-151352

Subject to completion, dated July 7, 2008

Prospectus supplement

(To prospectus dated June 2, 2008)

3,000,000 shares

Common stock

We are offering 3,000,000 shares of our common stock.

The common stock is listed on the New York Stock Exchange under the symbol GDP. On July 3, 2008, the last reported sale price of our common stock on the New York Stock Exchange was \$73.30 per share.

	Per share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds to Goodrich Petroleum Corporation, before expenses	\$	\$

The underwriters have a 30-day option to purchase up to an additional 450,000 shares from us to cover over-allotments at the public offering price per share, less the underwriting discounts and commissions. See Use of proceeds on page S-23 of this prospectus supplement.

Delivery of the shares will be made on or about July , 2008.

Investing in our common stock involves risks. See Risk factors beginning on page S-11 of this prospectus supplement and on page 4 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the prospectus to which it relates. Any representation to the contrary is a criminal offense.

JPMorgan

**Morgan Stanley
Raymond James**

Deutsche Bank Securities

Howard Weil Incorporated

Jefferies & Company

Johnson Rice & Company L.L.C.

Tudor, Pickering, Holt & Co.

BMO Capital Markets

Capital One Southcoast

Tristone Capital

BNP PARIBAS

Collins Stewart LLC

, 2008.

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About this prospectus supplement

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer of these securities in any state where the offer is not permitted.

You should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates of this prospectus supplement or the accompanying prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those dates. It is important that you read and consider all of the information in this prospectus supplement on the one hand, and the information contained in the accompanying prospectus and any other document incorporated by reference, on the other hand, in making your investment decision.

Where you can find more information

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934. You may read and copy any document we file at the SEC's public reference room in Washington, D.C. at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-888-SEC-0330 for further information on the public reference rooms. These filings are also available to the public from the SEC's web site at www.sec.gov. We also maintain an Internet site at www.goodrichpetroleum.com that contains information concerning us and our affiliates. The information at our Internet site is not incorporated by reference in this prospectus supplement and the accompanying prospectus, and you should not consider it to be part of this prospectus supplement and the accompanying prospectus.

We have included the accompanying prospectus in our registration statement that we filed with the SEC. The registration statement provides additional information that we are not required to include in this prospectus supplement or the accompanying prospectus. You can receive a copy of the entire registration statement as described above. Although this prospectus supplement and the accompanying prospectus describe the material terms of certain contracts, agreements and other documents filed as exhibits to the registration statement, you should read the exhibits for a more complete description of the document or matter involved.

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Incorporation by reference

The rules of the SEC allow us to incorporate by reference into this prospectus supplement and the accompanying prospectus the information we file with the SEC, which means that we can disclose important information to you by referring you to that information. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, and later information that we file with the SEC will automatically update and supersede that information. We incorporate by reference the documents listed below and any future filings made by us with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the offering of shares is completed:

The description of our common stock contained in our registration statement on Form 8-B dated February 3, 1997, including any amendment to that form that we may have filed in the past, or may file in the future, for the purpose of updating the description of our common stock;

our Annual Report on Form 10-K, including information specifically incorporated by reference into our Form 10-K from our Proxy Statement for our Annual Meeting of Stockholders held on May 22, 2008, for the fiscal year ended December 31, 2007;

our Quarterly Reports on Form 10-Q for the three months ended March 31, 2008;

our Current Reports on Form 8-K filed on January 17, 2008, February 19, 2008, March 20, 2008, May 29, 2008, June 17, 2008 and June 25, 2008 (excluding any information furnished pursuant to Item 2.02 or Item 7.01 of any such Current Report on Form 8-K).

We will provide, without charge, to each person to whom this prospectus supplement has been delivered a copy of any or all of these filings (other than exhibits to documents that are not specifically incorporated by reference in the documents). You may request copies of these filings by writing or telephoning us at: Goodrich Petroleum Corporation, Attention: Corporate Secretary, 808 Travis Street, Suite 1320, Houston, Texas 77002, telephone (713) 780-9494.

Forward-looking statements

Some of the information, including all of the estimates and assumptions, contained in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference contain forward-looking statements. These statements use forward-looking words such as anticipate, believe, expect, estimate, may, project, will, similar expressions and discuss forward-looking information, including the following:

anticipated capital expenditures;

production;

hedging arrangements;

future cash flows and borrowings;

litigation matters;

pursuit of potential future acquisition opportunities; and
sources of funding for exploration and development.

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Although we believe that these forward-looking statements are based on reasonable assumptions, our expectations may not occur and we cannot guarantee that the anticipated future results will be achieved. A number of factors could cause our actual future results to differ materially from the anticipated future results expressed in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference. These factors include, among other things:

- the volatility of natural gas and oil prices;
- the requirement to take writedowns if natural gas and oil prices decline;
- our ability to replace, find, develop and acquire natural gas and oil reserves;
- our ability to meet our substantial capital requirements;
- our outstanding indebtedness;
- the uncertainty of estimates of natural gas and oil reserves and production rates;
- operating risks of natural gas and oil operations;
- dependence upon operations concentrated in the Cotton Valley trend;
- delays due to weather or availability of pipeline crews or equipment;
- drilling risks;
- our hedging activities;
- governmental regulation;
- environmental matters;
- competition; and
- our financial results being contingent upon purchasers of our production meeting their obligations.

Other factors that could cause actual results to differ materially from those anticipated are discussed in our periodic filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2007 and the risk factors beginning on page S-11 of this prospectus supplement and on page 4 of the accompanying prospectus.

When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference. We will not update these forward-looking statements unless the securities laws require us to do so.

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Prospectus supplement summary

This summary highlights selected information from this prospectus supplement and the accompanying prospectus, but may not contain all information that may be important to you. This prospectus supplement and the accompanying prospectus include specific terms of this offering, information about our business and financial data. You should carefully read this prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein in their entirety before making an investment decision. In this prospectus supplement, the terms Goodrich Petroleum Corporation, Goodrich, we, us, our and similar terms mean Goodrich Petroleum Corporation and its subsidiaries. We have provided definitions for some of the oil and gas industry terms used in this prospectus supplement in the Glossary beginning on page S-34 of this prospectus supplement.

Goodrich Petroleum Corporation

We are an independent oil and gas company engaged in the exploration, exploitation, development and production of oil and natural gas properties primarily in the Cotton Valley trend of East Texas and Northwest Louisiana. As of December 31, 2007, we had estimated proved reserves of approximately 346.9 Bcf of natural gas and 1.8 MMBbls of oil and condensate, or an aggregate of 357.8 Bcfe. For the quarter ended March 31, 2008, we had average net daily production of 57.9 MMcfe, which implies a reserve life index of approximately 16.9 years based on our year-end 2007 reserves. Our principal executive offices are located at 808 Travis Street, Suite 1320, Houston, Texas 77002, telephone (713) 780-9494. We also have a land and administration office in Shreveport, Louisiana.

Business strategy

Our business strategy is to provide long term growth in net asset value per share, through the growth and expansion of our oil and gas production and reserves. We focus on adding reserve value through execution of our relatively low risk development drilling program in the Cotton Valley trend, and the pursuit of drilling opportunities in the underlying Haynesville Shale formation. We continue to aggressively pursue the acquisition and evaluation of prospective acreage, oil and gas drilling opportunities and potential property acquisitions.

Several of the key elements of our business strategy are the following:

Exploit and Develop Existing Property Base. We seek to maximize the value of our existing assets by developing and exploiting our properties with the lowest risk and the highest production and reserve growth potential. We intend to concentrate on developing our multi-year inventory of drilling locations in the Cotton Valley trend. Excluding the potential in the underlying Haynesville Shale, we currently estimate that our Cotton Valley trend inventory includes approximately 2,000 gross non-proved drilling locations, based on anticipated spacing for wells as follows:

40 acres, vertical wells only at our South Henderson and Bethany-Longstreet fields;

20 acres, vertical wells only at our Dirgin-Beckville field and southeastern portion of North Minden;

60 acres, vertical wells only at our Cotton, Cotton South and Bethune prospects only in Angelina River Trend primarily targeting the Travis Peak sands; and

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160 acres, horizontal James Lime wells at our Cotton, Cotton South and Bethune prospects only in Angelina River Trend.

We estimate that we may be able to drill an additional 950 gross horizontal Haynesville Shale wells on our acreage position, under current industry expectations of 80 acre spacing for horizontal wells.

Use of Advanced Technologies. We continually perform field studies of our existing properties and reevaluate exploration and development opportunities using advanced technologies. For example, we recently completed drilling our fifth horizontal Cotton Valley well and sixth James Lime horizontal well in the Cotton Valley trend and continue to monitor results. We intend to pursue additional horizontal drilling opportunities in the future, both in the Cotton Valley trend and the Haynesville Shale.

Expand Acreage Position in the Cotton Valley Trend. We have increased our acreage position from approximately 181,600 gross (114,800 net) acres at December 31, 2007 to approximately 185,000 gross (121,000 net) acres as of March 31, 2008. We concentrate our efforts in areas where we can apply our technical expertise and where we have significant operational control or experience. To leverage our extensive regional knowledge base, we seek to acquire leasehold acreage with significant drilling potential in the Cotton Valley trend that exhibits similar characteristics to our existing properties. We continually strive to rationalize our portfolio of properties by selling marginal properties in an effort to redeploy capital to exploitation, development and exploration projects that offer a potentially higher overall return.

Focus on Low Operating Costs. We continually seek ways to minimize lease operating expenses and overhead expenses. We will continue to seek to control costs to the greatest extent possible by controlling our operations. As we continue to develop our Cotton Valley trend properties, our overall operating costs per Mcfe are expected to decrease, due primarily to efficiencies gained as we reach critical mass in each of our primary areas.

Maintain an Active Hedging Program. We actively manage our exposure to commodity price fluctuations by hedging meaningful portions of our expected production through the use of derivatives, typically fixed price swaps and costless collars. The level of our hedging activity and the duration of the instruments employed depend upon our view of market conditions, available hedge prices and our operating strategy.

Summary of oil and gas operations and properties

As of December 31, 2007, almost all of our proved oil and gas reserves were in the Cotton Valley trend of East Texas and Northwest Louisiana. We spent approximately 99%, or \$297.4 million, of our 2007 capital expenditures of \$300.2 million in the Cotton Valley trend. Of the \$300.2 million of capital expenditures for the year, \$274.2 million was associated with drilling and completion costs, \$15.3 million for facilities and infrastructure and \$10.7 million for leasehold acquisition. As of March 31, 2008, we have acquired or farmed in leases totaling approximately 185,000 gross (121,000 net) acres in the Cotton Valley trend, and we are continually attempting to acquire additional acreage in the area. Through March 31, 2008, we have drilled and logged

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approximately 300 Cotton Valley trend wells with a success rate in excess of 99%. The following table presents a summary of our operating activities by area in the Cotton Valley trend:

Area	Producing wells Average working interest(1)	as of March 31, 2008	Acreage as of March 31, 2008		Proved reserves as of December 31, 2007		Daily production (Mcf/d) for the three months ended	
			Gross(2)	Net	Total (Bcfe)	Percentage of total	December 31, 2007	March 31, 2008
Dirgin Beckville	99%	69	12,255	11,530	118.0	33%	13,329	13,485
North Minden	100%	95	32,455	27,333	104.4	30%	10,026	13,105
South Henderson	100%	26	13,399	10,869	29.8	8%	5,303	7,671
Bethany Longstreet	70%	37	28,378	18,904	37.0	11%	9,074	8,639
Longwood	75%	1	20,109	6,879	0.0	0%	0	630
Angelina River	66%	50	70,833	40,872	61.1	17%	8,904	11,510
Other	74%	14	7,561	4,489	5.1	1%	3,605	2,289
Total Cotton Valley trend		292	184,990	120,877	355.3	100%	50,241	57,329

- (1) Average working interests are calculated by field based on the average working interest of all wells drilled as of March 31, 2008. Future average working interests may differ somewhat as wells to be drilled in the future may have different working interest compositions than existing wells.
- (2) Acreage amounts represent total gross and net acreage accruing to us under leases and other agreements covering one or more specific stratigraphic intervals, and some net acreage amounts may be less for any one individual interval. Specifically, we estimate our net acreage position in the interval which includes the Haynesville Shale in Northwest Louisiana and East Texas, as of March 31, 2008, to be at least 59,000 net acres, prior to the closing of the Chesapeake transaction and excluding the South Henderson and Angelina River trend areas.

Recent developments

Caddo Parish Acquisition. On May 28, 2008, we acquired additional interests in the Cotton Valley trend, which increased our net exposure in the Haynesville Shale. We acquired approximately 3,250 net acres in the Longwood field of Caddo Parish, Louisiana, through the issuance of approximately 900,000 shares of our common stock valued at approximately \$34 million. The purchase included interests in 25 gross wells, with approximately 1.2 MMcf per day of net production, and an internally estimated 12.3 Bcfe of proved reserves (75% developed) associated with the shallower Hosston and Cotton Valley formations. We have plans to drill two new vertical wells and re-enter another to test the Haynesville Shale at Longwood by the end of 2008.

Chesapeake Haynesville Joint Development. On June 16, 2008, we announced that we entered into a joint development agreement with Chesapeake Energy Corporation, or Chesapeake, to develop our Haynesville Shale acreage in the Bethany-Longstreet and Longwood fields of Caddo and DeSoto Parishes, Louisiana. Subject to satisfactory completion of customary due diligence, Chesapeake has agreed to pay us approximately \$178 million for the deep rights to approximately 10,250 net acres of oil and natural gas leasehold comprised of a 20% working interest

in approximately 25,000 net acres in the Bethany-Longstreet field and a 50% working interest in approximately 10,500 net acres in the Longwood field. Chesapeake has also agreed to purchase 7,500 net acres of deep rights in the Bethany-Longstreet field from a third party, bringing the ownership interest in the deep rights in both fields after closing to 50% each for us and Chesapeake. Chesapeake will be the operator of the joint Haynesville Shale development. Closing is expected to occur on or before July 15, 2008. Assuming the transaction is completed,

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we will hold approximately 25,000 gross (12,500 net) acres in the deep rights in the Bethany Longstreet field and approximately 10,500 gross (5,250 net) acres in the deep rights in the Longwood field, both of which are primarily Haynesville Shale. Through our joint development arrangement with Chesapeake, we will continue to operate existing production and operate any new wells drilled to the base of the Cotton Valley sand, and Chesapeake will operate any wells drilled below the base of the Cotton Valley sand, including the Haynesville Shale.

We are retaining the shallow rights to the base of the Cotton Valley sand and the existing production and reserves with respect to our 70% interest in the Bethany-Longstreet field and our 100% interest in the Longwood field. We are retaining our interest in both the shallow and Haynesville Shale rights on all of our East Texas assets. Horizontal development of the Haynesville Shale for the joint development agreement is expected to commence in the third quarter of 2008 with one rig dedicated to the play and a second rig to be added during the fourth quarter of 2008. We expect this transaction to close on or before July 15, 2008, but there is no assurance that it will be completed as expected.

Central Pine Island Acquisition. On June 10, 2008, we entered into a definitive agreement with a private company for the right to acquire over time a 50% non-operated interest in 5,800 gross acres (2,900 net) in the Central Pine Island field, adjacent to our Longwood field in Caddo Parish, Louisiana. We estimate total consideration to be approximately \$3.3 million, which will be comprised of acreage costs for the 50% interest in the leasehold and the cost of a carried interest on the initial well drilled on the acreage. The initial well has reached total depth and is currently waiting on completion operations.

With the completion of these transactions, including the joint development agreement with Chesapeake, we have a total of approximately 22,000 net acres in north Louisiana which we believe to be prospective for the Haynesville Shale formation.

Revised 2008 Capital Budget. We also announced on June 23, 2008 that our Board of Directors has approved an increase in the preliminary capital expenditure budget for 2008 to \$350 million, up from \$275 million, as a result of anticipated increased drilling activity, primarily driven by our Haynesville Shale program.

Initial Haynesville Shale Drilling Program. We have drilled two wells on our North Louisiana acreage and two wells on our East Texas acreage, all of which targeted the Haynesville Shale via vertical wellbores. The initial production rates for the two Louisiana wells averaged 1.0 Mmcfe per day, and the one East Texas well which has been completed had an initial production rate of 2.6 Mmcfe per day. We expect to begin our horizontal drilling program shortly after closing of the Chesapeake joint development program.

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The offering

Shares of common stock offered

3,000,000 shares

Shares of common stock outstanding following this offering (1)(2)(3)

37,283,118 shares (37,733,118 shares if the underwriters exercise their over-allotment option in full).

Over-allotment option

450,000 shares. We will receive all proceeds from any exercise of the underwriters over-allotment option. See **Underwriting** for more information.

Use of proceeds

The net proceeds from this offering will be approximately \$211 million, or approximately \$242 million if the underwriters' over-allotment option is exercised in full, in each case after deducting underwriting discounts and the estimated offering expenses.

We expect to use the net proceeds of this offering:

to pay off approximately \$96 million of outstanding borrowings under our senior credit facility; and

for general corporate purposes, including to fund a portion of our 2008 drilling program, other capital expenditures and working capital requirements.

We may reborrow amounts from time to time under our senior credit facility as capital expenditures related to our drilling programs exceed our cash flow from operations in periods subsequent to this offering.

Trading symbol for our common stock

Our common stock is listed on the New York Stock Exchange under the symbol **GDP**.

Risk factors

You should carefully consider the information set forth in the section of this prospectus supplement and the accompanying prospectus entitled **Risk factors** as well as the other information included in or incorporated by reference in this prospectus supplement before deciding whether to invest in our common stock.

(1) As of July 3 (a) 2,808,053 shares were reserved for issuance pursuant to our stock option and long-term incentive plans, including 1,089,333 outstanding options to purchase shares (having a weighted average exercise price of \$21.40 per share) and 328,911 shares of unvested restricted stock; (b) 3,587,850 shares of common stock were reserved for issuance upon the conversion of our series B convertible preferred stock, and (c) 3,122,262 shares of common stock were reserved for issuance upon the conversion of our 3.25% convertible senior notes due 2026.

(2) Includes 1,624,300 shares loaned to an affiliate of Bear, Stearns & Co. Inc. under a share lending agreement and required to be returned to us. See **Capitalization** Certain agreements affecting our capitalization **Share Lending Agreement**.

(3)

The number of shares of our common stock outstanding may be decreased by our receipt of shares of our common stock under capped call option transactions. See Capitalization Certain agreements affecting our capitalization Capped Call Agreements.

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The following table sets forth summary financial data as of and for each of the three years ended December 31, 2005, 2006 and 2007 and as of the three months ended March 31, 2007 and 2008. This data was derived from our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2007, and from our unaudited condensed consolidated financial statements included in our quarterly report on Form 10-Q for the three months ended March 31, 2008, both of which are incorporated by reference herein. The financial data below should be read together with, and are qualified in their entirety by reference to, our historical consolidated financial statements and the accompanying notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in our Annual Report on Form 10-K and our quarterly report on Form 10-Q for the three months ended March 31, 2008, incorporated by reference in this prospectus supplement.

(in thousands, except per share amounts)	Year ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
Revenues:					
Oil and gas revenues	\$ 34,986	\$ 73,933	\$ 110,691	\$ 23,317	\$ 46,197
Other	325	838	614	225	156
	35,311	74,771	111,305	23,542	46,353
Operating expenses:					
Lease operating expense	3,494	12,688	22,465	4,135	7,097
Production and other taxes	2,136	3,345	2,272	294	1,255
Transportation	558	3,791	5,964	1,075	1,870
Depreciation, depletion and amortization	12,214	37,225	79,766	17,708	25,085
Exploration	5,697	5,888	7,346	2,326	2,003
Impairment of oil and gas properties	340	9,886	7,696		
General and administrative	8,622	17,223	20,888	5,338	5,440
Gain on sale of assets	(235)	(23)	(42)		
Other			109		
	32,826	90,023	146,464	30,876	42,750
Operating income (loss)	2,485	(15,252)	(35,159)	(7,334)	3,603
Other income (expense)					
Interest expense	(2,359)	(7,845)	(11,870)	(2,624)	(3,783)
Gain (loss) on derivatives not designated as hedges	(37,680)	38,128	(6,439)	(9,487)	(24,487)
Loss on early extinguishment of debt		(612)			

(40,039)	29,671	(18,309)	(12,111)	(28,270)
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(in thousands, except per share amounts)	Year ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
Income (loss) from continuing operations before income taxes	(37,554)	14,419	(53,468)	(19,445)	(24,667)
Income tax (expense) benefit	13,144	(5,120)	(3,034)	6,743	
Income (loss) from continuing operations	(24,410)	9,299	(56,502)	(12,702)	(24,667)
Discontinued operations					
Gain on sale of assets, net of tax			9,662	10,913	400
Income (loss) on discontinued operations, net of tax	6,960	(7,660)	1,807	2,825	385
	6,960	(7,660)	11,469	13,738	785
Net income (loss)	(17,450)	1,639	(45,033)	1,036	(23,882)
Preferred stock dividends	755	6,016	6,047	1,512	1,512
Preferred stock redemption premium		1,545			
Net income (loss) applicable to common stock	\$ (18,205)	\$ (5,922)	\$ (51,080)	\$ (476)	\$ (25,394)
Net income (loss) per common share Basic					
Income (loss) from continuing operations	\$ (1.05)	\$ 0.37	\$ (2.21)	\$ (0.51)	\$ (0.78)
Discontinued operations	\$ 0.30	\$ (0.30)	\$ 0.45	\$ 0.55	\$ 0.03
Net income (loss)	\$ (0.75)	\$ 0.07	\$ (1.76)	\$ 0.04	\$ (0.75)
Net income (loss) applicable to common stock	\$ (0.78)	\$ (0.24)	\$ (2.00)	\$ (0.02)	\$ (0.80)
Net income (loss) per common share Diluted					
Income (loss) from continuing operations	\$ (1.05)	\$ 0.37	\$ (2.21)	\$ (0.50)	\$ (0.78)
Discontinued operations	\$ 0.30	\$ (0.31)	\$ 0.45	\$ 0.54	\$ 0.03

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Net income (loss)	\$	(0.75)	\$	0.06	\$	(1.76)	0.04	\$	(0.75)
Net income (loss) applicable to common stock	\$	(0.78)	\$	(0.24)	\$	(2.00)	(0.02)	\$	(0.80)
Weighted average common shares outstanding Basic		23,333		24,948		25,578		25,141	31,705
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(in thousands, except per share amounts)	Year ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
Weighted average common shares outstanding Diluted	23,333	25,412	25,578	25,386	31,705
Selected Balance Sheet Data (end of period):					
Total assets	\$ 296,526	\$ 479,264	\$ 590,118	\$ 452,739	\$ 652,876
Total long term debt	30,000	201,500	215,500	175,000	284,000
Stockholders' equity	181,589	205,133	283,615	206,905	259,522
Selected Cash Flow Data:					
Net cash provided by operating activities	\$ 45,562	\$ 65,133	\$ 85,925	\$ 16,909	\$ 17,195
Net cash provided by (used in) investing activities	(163,571)	(258,737)	(219,193)	12,525	(84,761)
Net cash provided (used in) by financing activities	134,402	179,946	131,532	(28,046)	65,786

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The following table sets forth summary production data, average sales prices and operating expenses from continuing operations for the years ended December 31, 2005, 2006 and 2007 and for the three months ended March 31, 2007 and 2008.

	Year ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
Production(1)					
Natural gas (MMcf)	3,786	10,500	15,281	3,195	5,033
Oil (MBbls)	38	106	118	26	39
Total (MMcfe)(2)	4,012	11,135	15,991	3,351	5,266
Average daily production (Mcf/d)(2)	10,990	30,507	43,811	37,233	57,866
Average realized sales price per unit(1):					
Natural gas:					
Average realized price (Mcf)	\$ 8.72	\$ 6.42	\$ 6.69	\$ 6.84	\$ 8.44
Oil and condensate:					
Average realized price (Bbl)	\$ 52.47	\$ 62.03	\$ 71.83	\$ 56.68	\$ 96.15
Natural gas and oil:					
Average realized price (Mcf)	\$ 8.72	\$ 6.64	\$ 6.92	\$ 6.96	\$ 8.77
Operating expenses (per Mcfe):					
Lease operating expenses	\$ 0.87	\$ 1.14	\$ 1.40	\$ 1.23	\$ 1.35
Production and other taxes	\$ 0.53	\$ 0.30	\$ 0.14	\$ 0.09	\$ 0.24
Depreciation, depletion and amortization	\$ 3.04	\$ 3.34	\$ 4.99	\$ 5.28	\$ 4.76
Exploration	\$ 1.42	\$ 0.53	\$ 0.46	\$ 0.69	\$ 0.38

(1) Reflects reclassification of prior year amounts to report the results of operations of non-core properties sold in 2007 as discontinued operations related to the sale of substantially all of our South Louisiana properties. See Note 12 Acquisitions and Divestitures to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 incorporated by reference in this prospectus supplement.

(2) Estimated by us using a conversion ratio of one Bbl per six Mcf.

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The following table sets forth summary information with respect to our historical net proved reserves as of December 31, 2005, 2006 and 2007 and the present values that have been attributed to these reserves at these dates. Our reserve data and present values shown below are derived from the evaluations performed by Netherland Sewell & Associates, Inc. as of December 31, 2005, 2006 and 2007. Reserve data and present values shown as of December 31, 2005, 2006 and 2007 include our former South Louisiana properties, which were sold on March 20, 2007. See Note 12

Acquisitions and Divestitures to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 incorporated by reference in this prospectus supplement. Reserve engineering is a subjective process of estimating underground accumulations of crude oil, condensate and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. The quantities of oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future oil and natural gas sales prices may differ from those assumed in these estimates. Therefore, the present value of future net revenues before income taxes shown below should not be construed as the current market value of the oil and natural gas reserves attributable to our properties.

	December 31,		
	2005	2006	2007
Natural Gas (MMcf)	142,963	187,012	346,930
Oil (MBbls)	4,973	3,201	1,810
Total (MMcfe)(2)	172,799	206,217	357,792
Present value of future net revenues before income taxes (in thousands)(2)	\$ 587,676(4)	\$ 214,187(4)	\$ 312,684(4)
Standardized measure of discounted future net cash flows (in thousands)(3)(4)	\$ 410,620	\$ 200,281	\$ 284,117

- (1) Estimated by us using a conversion ratio of one Bbl per six Mcf.
- (2) The present value of future net revenues attributable to our reserves was prepared using prices in effect at the end of the respective periods presented, discounted at 10% per annum (PV10) on a pre-tax basis. Year-end PV10 may be considered a non-GAAP financial measure as defined by the SEC. We believe that the presentation of PV10 is relevant and useful to our investors because it presents the discounted future net cash flows attributable to our proved reserves prior to taking into account corporate future income taxes and our current tax structure. We further believe investors and creditors utilize our PV10 as a basis for comparison of the relative size and value of our reserves to other companies. Our PV10 as of December 31, 2005, 2006 and 2007 may be reconciled to our standardized measure of discounted future net cash flows as of such date by reducing our PV10 by the discounted future income taxes associated with such reserves. The discounted future income taxes as of December 31, 2005, 2006 and 2007 were \$177.1 million, \$13.9 million and \$28.6 million, respectively.
- (3) The standardized measure of discounted future net cash flows represents the present value of future net revenues after income tax discounted at 10% per annum and has been calculated in accordance with SFAS No. 69,

Disclosures About Oil and Gas Producing Activities .

- (4) Year-end prices per Mcf of natural gas used in making the present value determination as of December 31, 2005, 2006 and 2007 were \$10.54, \$5.64 and \$6.80, respectively. Year-end prices per Bbl of oil used in making the present value determination as of December 31, 2005, 2006 and 2007 were \$58.80, \$57.75 and \$92.50, respectively. The present value determinations do not include estimated future cash inflows from our hedging programs.

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Risk factors

An investment in our common stock involves a number of risks. You should carefully consider each of the risks described below, together with all of the other information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding to invest in our common stock. If any of the following risks develops into actual events, our business, financial condition or results of operations could be negatively affected, the market price of our common stock could decline and you may lose all or part of your investment.

Risks related to our business

Our financial and operating results are subject to a number of factors, many of which are not within our control. These factors include the following:

Our actual production, revenues and expenditures related to our reserves are likely to differ from our estimates of proved reserves. We may experience production that is less than estimated and drilling costs that are greater than estimated in our reserve report. These differences may be material.

The proved oil and gas reserve information included in this report are estimates. These estimates are based on reports prepared by Netherland Sewell & Associates, Inc., or NSA, our independent reserve engineers, and were calculated using oil and gas prices as of December 31, 2007. These prices will change and may be lower at the time of production than those prices that prevailed at the end of 2007. Reservoir engineering is a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact manner. Estimates of economically recoverable oil and gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, including:

historical production from the area compared with production from other similar producing wells;

the assumed effects of regulations by governmental agencies;

assumptions concerning future oil and gas prices; and

assumptions concerning future operating costs, severance and excise taxes, development costs and workover and remedial costs.

Because all reserve estimates are to some degree subjective, each of the following items may differ materially from those assumed in estimating proved reserves:

the quantities of oil and gas that are ultimately recovered;

the production and operating costs incurred;

the amount and timing of future development expenditures; and

future oil and gas sales prices.

Furthermore, different reserve engineers may make different estimates of reserves and cash flows based on the same available data. Our actual production, revenues and expenditures with respect to reserves will likely be different from

estimates and the differences may be material. The discounted future net cash flows included in this document should not be considered as the

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current market value of the estimated oil and gas reserves attributable to our properties. As required by the SEC, the standardized measure of discounted future net cash flows from proved reserves are generally based on prices and costs as of the date of the estimate, while actual future prices and costs may be materially higher or lower. Actual future net cash flows also will be affected by factors such as:

the amount and timing of actual production;

supply and demand for oil and gas;

increases or decreases in consumption; and

changes in governmental regulations or taxation.

In addition, the 10% discount factor, which is required by the SEC to be used to calculate discounted future net cash flows for reporting purposes, and which we use in calculating our PV-10, is not necessarily the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and gas industry in general.

Our future revenues are dependent on the ability to successfully complete drilling activity.

Drilling and exploration are the main methods we utilize to replace our reserves. However, drilling and exploration operations may not result in any increases in reserves for various reasons. Exploration activities involve numerous risks, including the risk that no commercially productive oil or gas reservoirs will be discovered. In addition, the future cost and timing of drilling, completing and producing wells is often uncertain. Furthermore, drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

lack of acceptable prospective acreage;

inadequate capital resources;

unexpected drilling conditions;

pressure or irregularities in formations;

equipment failures or accidents;

adverse weather conditions, including hurricanes;

unavailability or high cost of drilling rigs, equipment or labor;

reductions in oil and gas prices;

limitations in the market for oil and gas;

title problems;

compliance with governmental regulations; and

mechanical difficulties.

Our decisions to purchase, explore, develop and exploit prospects or properties depend in part on data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often uncertain.

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In addition, we recently completed drilling our fifth horizontal well in the Cotton Valley trend. We have only limited experience drilling horizontal wells and there can be no assurance that this method of drilling will be as effective (or effective at all) as we currently expect it to be.

In addition, higher oil and gas prices generally increase the demand for drilling rigs, equipment and crews and can lead to shortages of, and increasing costs for, such drilling equipment, services and personnel. Such shortages could restrict our ability to drill the wells and conduct the operations which we currently have planned. Any delay in the drilling of new wells or significant increase in drilling costs could adversely affect our ability to increase our reserves and production and reduce our revenues.

Natural gas and oil prices are volatile; a decrease in the price of natural gas or oil would adversely impact our business.

Our success will depend on the market prices of oil and natural gas. These market prices tend to fluctuate significantly in response to factors beyond our control. The prices we receive for our crude oil production are based on global market conditions. The general pace of global economic growth, the continued instability in the Middle East and other oil and gas producing regions and actions of the Organization of Petroleum Exporting Countries, or OPEC, and its maintenance of production constraints, as well as other economic, political, and environmental factors will continue to affect world supply and prices. Domestic natural gas prices fluctuate significantly in response to numerous factors including U.S. economic conditions, weather patterns, other factors affecting demand such as substitute fuels, the impact of drilling levels on crude oil and natural gas supply, and the environmental and access issues that limit future drilling activities for the industry.

Crude oil and natural gas prices are extremely volatile. Average oil and natural gas prices fluctuated substantially during the three year period ended December 31, 2007. Fluctuations during the past several years in the demand and supply of crude oil and natural gas have contributed to, and are likely to continue to contribute to, price volatility. Any actual or anticipated reduction in crude oil and natural gas prices would depress the level of exploration, drilling and production activity. We expect that commodity prices will continue to fluctuate significantly in the future. The following table includes high and low natural gas prices (price per one million British thermal units or Mmbtu) and crude oil prices (West Texas Intermediate or WTI) for 2007, as well as these prices at year-end and at July 3, 2008:

	Henry Hub per Mmbtu
February 6, 2007 (high)	\$ 9.13
September 5, 2007 (low)	5.14
December 28, 2007	6.80
July 3, 2008	13.00

	WTI per barrel
November 20, 2007 (high)	\$ 98.88
January 18, 2007 (low)	50.49
December 28, 2007	96.01
July 3, 2008	145.29

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Changes in commodity prices significantly affect our capital resources, liquidity and expected operating results. Price changes directly affect revenues and can indirectly impact expected production by changing the amount of funds available to us to reinvest in exploration and development activities. Reductions in oil and natural gas prices could also reduce the quantities of reserves that are commercially recoverable. Significant declines in prices could result in non-cash charges to earnings due to impairment.

Our use of oil and gas price hedging contracts may limit future revenues from price increases and result in significant fluctuations in our net income.

We use hedging transactions with respect to a portion of our oil and natural gas production to achieve more predictable cash flow and to reduce our exposure to price fluctuations. While the use of hedging transactions limits the downside risk of price declines, their use may also limit future revenues from price increases.

Our results of operations may be negatively impacted by our financial derivative instruments and fixed price forward sales contracts in the future and these instruments may limit any benefit we would receive from increases in the prices for oil and natural gas. For the quarter ended March 31, 2008, we realized a gain on settled financial derivatives of \$0.4 million. For the year ended December 31, 2007, we realized a gain on settled financial derivatives of \$9.7 million. For the years ended December 31, 2006 and 2005, we realized a loss on settled financial derivatives of \$2.1 million and \$18.0 million, respectively.

For the quarter ended March 31, 2008, we recognized in earnings as unrealized loss on derivative instruments not designated as hedges in the amount of \$24.9 million. For the year ended December 31, 2007, we recognized in earnings an unrealized loss on derivative instruments not designated as hedges in the amount of \$16.1 million. For financial reporting purposes, this unrealized loss was combined with a \$9.7 million realized gain in 2007 resulting in a total unrealized and realized loss on derivative instruments not designated as hedges of \$6.4 million for 2007.

For the year ended December 31, 2006, we recognized in earnings an unrealized gain on derivative instruments not designated as hedges in the amount of \$40.2 million. For financial reporting purposes, this unrealized gain was combined with a \$2.1 million realized loss in 2006 resulting in a total unrealized and realized gain on derivative instruments not designated as hedges in the amount of \$38.1 million for 2006. This gain was recognized because the natural gas hedges were deemed ineffective for 2006, and all previously effective oil hedges were deemed ineffective for the fourth quarter of 2006.

For the year ended December 31, 2005, we recognized in earnings an unrealized loss on derivative instruments not designated as hedges in the amount of \$27.0 million. For financial reporting purposes, this unrealized loss was combined with a \$10.7 million realized loss in 2005 resulting in a total unrealized and realized loss on derivative instruments not designated as hedges in the amount of \$37.7 million in 2005. This loss was recognized because the natural gas hedges were deemed to be ineffective for 2005, and accordingly, the changes in fair value of such hedges could no longer be reflected in other comprehensive income, a component of stockholders' equity.

We account for our commodity derivative contracts in accordance with SFAS 133. SFAS 133 requires each derivative to be recorded on the balance sheet as an asset or liability at its fair value. Additionally, the statement requires that changes in a derivative's fair value be

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recognized currently in earnings unless specific hedge accounting criteria are met at the time the derivative contract is executed. We have elected not to apply hedge accounting treatment to our swaps and collars and, as such, all changes in the fair value of these instruments are recognized in earnings. Our fixed price physical contracts qualify for the normal purchase and normal sale exception. Contracts that qualify for this treatment do not require mark-to-market accounting treatment. See Note 8 Hedging Activities to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 for further discussion.

The results of our planned exploratory drilling in the Haynesville Shale, a newly emerging play with limited drilling and production history, are subject to more uncertainties than our drilling program in the more established shallower Cotton Valley formations and may not meet our expectations for reserves or production.

We have only recently drilled our first three vertical wells to the Haynesville Shale, one of which is still drilling, from which we do not yet have sufficient data to recognize proved reserves in the formation. Part of the drilling strategy to maximize recoveries from the Haynesville Shale involves the drilling of horizontal wells using completion techniques that have proven successful in other shale formations. We have not participated in any horizontal drilling of the Haynesville Shale and to date the industry's drilling and production history in the formation is limited. The ultimate success of these drilling strategies and techniques in this formation will be better evaluated over time as more wells are drilled and production profiles are better established. Accordingly, the results of our future drilling in the emerging Haynesville Shale play are more uncertain than drilling results in the shallower Cotton Valley horizons with established reserves and production.

Delays in development or production curtailment affecting our material properties may adversely affect our financial position and results of operations.

The size of our operations and our capital expenditure budget limits the number of wells that we can develop in any given year. Complications in the development of any single material well may result in a material adverse affect on our financial condition and results of operations. In addition, a relatively small number of wells contribute a substantial portion of our production. If we were to experience operational problems resulting in the curtailment of production in any of these wells, our total production levels would be adversely affected, which would have a material adverse affect on our financial condition and results of operations.

Because our operations require significant capital expenditures, we may not have the funds available to replace reserves, maintain production or maintain interests in our properties.

We must make a substantial amount of capital expenditures for the acquisition, exploration and development of oil and natural gas reserves. Historically, we have paid for these expenditures with cash from operating activities, proceeds from debt and equity financings and asset sales. Our revenues or cash flows could be reduced because of lower oil and natural gas prices or for other reasons. If our revenues or cash flows decrease, we may not have the funds available to replace reserves or maintain production at current levels. If this occurs, our production will decline over time. Other sources of financing may not be available to us if our cash flows from operations are not sufficient to fund our capital expenditure requirements. Where we are not the majority owner or operator of an oil and gas property, we may have no control over the

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timing or amount of capital expenditures associated with the particular property. If we cannot fund such capital expenditures, our interests in some properties may be reduced or forfeited.

We may have difficulty financing our planned growth.

We have experienced and expect to continue to experience substantial capital expenditure and working capital needs, particularly as a result of our drilling program. In the future, we expect that we will require additional fi