

GULFPORT ENERGY CORP  
Form 424B5  
May 18, 2007  
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Filed pursuant to Rule 424(b)(5)  
SEC File No. 333-139480

**Prospectus Supplement**

(To prospectus dated January 23, 2007)

## 1,500,000 Shares

### Common Stock

We are offering 1,500,000 shares of our common stock.

Our common stock is quoted on The NASDAQ Global Select Market under the symbol GPOR. On May 16, 2007, the last reported sale price of our common stock on The NASDAQ Global Select Market was \$16.31 per share.

**Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 2 of the accompanying prospectus, as the same may be updated in reports filed with the Securities and Exchange Commission, including our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, for a description of various risks you should consider in evaluating an investment in the shares.**

	Public	Underwriting	Proceeds to Us
	Offering Price	Discount	(Before Expenses)
Per Share	\$ 16.00	\$ 0.44	\$ 15.56
Total	\$ 24,000,000	\$ 660,000	\$ 23,340,000

The underwriter may purchase up to an additional 225,000 shares of our common stock at a price of \$15.56 per share solely to cover any over-allotments.

Delivery of the shares of common stock is expected to be made on or about May 22, 2007.

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

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## Johnson Rice & Company L.L.C.

The date of this prospectus supplement is May 16, 2007.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this 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. You should read the entire prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference that are described under **Where You Can Find More Information** and **Information Incorporated by Reference** in the accompanying prospectus. In the event that the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriter have not authorized any other person 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 and the underwriter are not making any offer to sell these securities in any jurisdiction where the offer to sell is not permitted. You should not assume that the information we have included in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date hereof or thereof respectively, or that 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.

When used in this prospectus supplement, the terms **Gulfport**, **the Company**, **we**, **our** and **us** refer to Gulfport Energy Corporation and its subsidiaries, unless otherwise indicated or the context otherwise requires.

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**SUMMARY**

**The Company**

We are an independent oil and natural gas exploration and production company with our principal properties located along the Louisiana Gulf Coast. Our operations are concentrated in two fields: West Cote Blanche Bay, or WCBB, and the Hackberry fields. We seek to achieve reserve and production growth and increase our cash flow through our annual drilling programs.

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

The East Hackberry field is located along the western shore of Lake Calcasieu in Louisiana, 15 miles inland from the Gulf of Mexico. We own a 100% working interest (approximately 79% average NRI) in certain producing oil and natural gas properties situated in the East Hackberry field. We hold beneficial interests in approximately 4,150 acres, including the Erwin Heirs Block, which is located on land, and the adjacent State Lease 50 Block, which is located primarily in the shallow waters of Lake Calcasieu. In addition, we recently exercised our option to acquire additional acreage at the Hackberry field. The option will increase our acreage position significantly to approximately 7,450 acres, an increase of approximately 3,300 acres. State approval on the lease is pending.

The West Hackberry field is located on land and is five miles west of Lake Calcasieu in Cameron Parish, Louisiana, approximately 85 miles west of Lafayette and 15 miles inland from the Gulf of Mexico. We own a 100% working interest (approximately 87.5% NRI) in 592 acres within the West Hackberry field. Our leases at West Hackberry are located within two miles of one of the United States Department of Energy's Strategic Petroleum Reserves.

We also hold ownership interests in entities that operate in Southeast Asia, Canada and the Williston Basin area of western North Dakota and eastern Montana.

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

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**The Offering**

**Common stock offered by us** 1,500,000 shares

**Common stock to be outstanding after this offering** 36,579,814 shares

**Use of proceeds** We estimate that we will receive net proceeds from this offering of approximately \$23.1 million after deducting underwriting discounts and commissions and estimated offering expenses, or approximately \$26.6 million if the underwriter exercises the over-allotment option in full. We intend to use the net proceeds from this offering to repay a portion of our outstanding indebtedness under our revolving credit facility with Bank of America, N.A. See **Use of Proceeds** included elsewhere in this prospectus supplement.

**NASDAQ Global Select Market symbol** GPOR

**Dividend policy** We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends in the foreseeable future. In addition, our existing credit facilities limit our ability to pay dividends and make other distributions.

**Risk factors** We are subject to a number of risks that you should carefully consider before deciding to invest in our common stock. These risks are discussed more fully in **Risk Factors** in the accompanying prospectus supplement.

The number of shares of common stock outstanding after the offering is based on 35,079,814 shares of common stock outstanding as of May 16, 2007, excluding shares of restricted stock awarded under our 2005 Stock Incentive Plan. The number of shares outstanding does not include shares issuable upon the exercise of outstanding stock options held by our employees, executive officers and directors.

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as may, will, should, could, would, expects, plans, anticipates, intends, believe, projects, predicts, potential and similar expressions intended to identify forward-looking statements. All statements, other than statements of historical facts, included in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference that address activities, events or developments that we expect or anticipate will or may occur in the future, including such things as estimated future net revenues from oil and gas reserves and the present value thereof, future capital expenditures (including the amount and nature thereof), drilling activity, production, expenses, business strategy and measures to implement strategy, competitive strength, goals, expansion and growth of our business and operations, plans, references to future success, reference to intentions as to future matters and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including those discussed under the heading Risk Factors in the accompanying prospectus and those discussed in the documents we have incorporated by reference including our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006. Consequently, all of the forward-looking statements made in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference are qualified by these cautionary statements and we cannot assure you that the actual results or developments anticipated by us will be realized or, even if realized, that they will have the expected consequences to or effects on us, our business or operations. We have no intention, and disclaim any obligation, to update or revise any forward looking statements, whether as a result of new information, future results or otherwise.

**Table of Contents****USE OF PROCEEDS**

We will receive net proceeds from this offering of approximately \$23.1 million, after deducting underwriting discounts and commissions and estimated offering expenses, or approximately \$26.6 million if the underwriter exercises the over-allotment option in full. We intend to use the net proceeds from this offering to repay a portion of our outstanding indebtedness under our revolving credit facility with Bank of America, N.A. Borrowings under the revolving credit facility are subject to a borrowing base limitation, which is currently set at \$30.0 million. All borrowings outstanding under the credit facility, together with all accrued and unpaid interest and fees, will be due and payable on March 31, 2009. Amounts borrowed under the credit facility bear interest at Bank of America Prime plus 0.25%. As of March 31, 2007, approximately \$28.0 million was outstanding under this credit facility, with an interest rate of 8.5%. We used the proceeds of borrowings under this credit facility for the exploration of our oil and natural gas properties and other capital expenditures, acquisition opportunities, replacement and improvements of damaged facilities and for other general corporate purposes. We intend to continue to borrow under this credit facility to fund our recently expanded 2007 drilling program and for general corporate purposes.

**PRICE RANGE OF COMMON STOCK**

Our common stock is listed and traded on The NASDAQ Global Select Market under the symbol GPOR. The following table includes the high and low sales prices for our common stock as reported on The NASDAQ Global Select Market for the periods presented.

	Price Range of	
	Common Stock High	Low
<b>2005</b>		
First Quarter	\$ 5.90	\$ 3.24
Second Quarter	6.90	5.00
Third Quarter	11.50	6.70
Fourth Quarter	13.00	9.10
<b>2006</b>		
First Quarter	16.00	10.00
Second Quarter	15.89	9.90
Third Quarter	13.64	9.82
Fourth Quarter	14.11	9.95
<b>2007</b>		
First Quarter	13.89	10.82
Second Quarter (through May 16, 2007)	16.41	12.86

The closing price of our common stock on The NASDAQ Global Select Market on May 16, 2007 was \$16.31.

**Table of Contents****UNDERWRITING**

Johnson Rice & Company L.L.C. is acting as the sole underwriter of the offering. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, the underwriter has agreed to purchase from us, and we have agreed to sell to the underwriter, 1,500,000 shares of our common stock.

The underwriting agreement provides that the underwriter's obligation to purchase shares of our common stock is subject to approval of legal matters by counsel and the satisfaction of the conditions contained in the underwriting agreement. The conditions contained in the underwriting agreement include the condition that the representations and warranties made by us to the underwriter are true, that there has been no material adverse change to our condition or in the financial markets and that we deliver to the underwriter customary closing documents. The underwriter is obligated to purchase all of the shares of common stock (other than those covered by the over-allotment option described below) if it purchases any of the shares.

The underwriter proposes to offer the shares of common stock to the public at the public offering price set forth on the cover of this prospectus supplement. The underwriter may offer the common stock to securities dealers at the price to the public less a concession not in excess of \$0.27 per share. After the shares of common stock are released for sale to the public, the underwriter may vary the offering price and other selling terms from time to time.

We have granted to the underwriter an option, exercisable for 30 days from the date of the underwriting agreement, to purchase up to 225,000 additional shares at the public offering price per share less the underwriting discount shown on the cover page of this prospectus. The underwriter may exercise this option solely to cover over-allotments, if any, made in connection with this offering.

As of April 30, 2007, CD Holding Company LLC, an entity controlled by Charles E. Davidson, was the beneficial owner of approximately 41% of our common stock. The underwriter has reserved for sale at the initial offering price up to 700,350 shares of our common stock offered hereby for CD Holding Company LLC, which has expressed an interest in purchasing common stock in this offering. The number of shares available for sale to the general public will be reduced to the extent CD Holding Company LLC purchases the reserved shares.

The following table summarizes the compensation to be paid to the underwriter by us.

	<b>Per share</b>	<b>Total Without over-allotment</b>	<b>Total With over-allotment</b>
Public offering price by us	\$ 16.00	\$ 24,000,000	\$ 27,600,000
Underwriting fees to be paid by us	\$ 0.44	\$ 660,000	\$ 759,000
Proceeds, before expenses, to us	\$ 15.56	\$ 23,340,000	\$ 26,841,000

We estimate our expenses associated with the offering, excluding underwriting discounts and commissions, will be approximately \$250,000.

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

We, our officers and directors, Charles E. Davidson and CD Holding Company LLC have agreed that, for a period of 90 days from the date of this prospectus supplement, we and they will not, without the prior written consent of the underwriter, directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any share of common stock or any securities convertible into or exercisable or exchangeable for common stock, or file any registration statement under the Securities Act with respect to any of the foregoing or enter into any swap or any other agreement or transaction that transfers, in whole or in part,



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directly or indirectly, the economic consequence of ownership of the common stock, except for the sale to the underwriter in this offering, the issuance by us of any securities or options to purchase common stock under existing, amended or new employee benefit plans maintained by us and the filing of or amendment to any registration statement related to the foregoing, the issuance by us of securities in exchange for or upon conversion of our outstanding securities described herein, the filing of or an amendment to any registration statement pursuant to registration rights held by third parties not subject to a lock-up agreement or certain transfers in the case of officers or directors in the form of bona fide gifts, intra family transfers and transfers related to estate planning matters. Notwithstanding the foregoing, if (1) during the last 17 days of such 90-day restricted period we issue an earnings release or (2) prior to the expiration of such 90-day restricted period we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day restricted period, the foregoing restrictions shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release; provided, however, that this sentence will not apply if, as of the expiration of the restricted period, shares of our common stock are actively-traded securities as defined in Regulation M. The underwriter has advised us that it does not have any present intent to release the lock-up agreements prior to the expiration of the applicable restricted period. In the case of CD Holding Company LLC, pledges of common stock as collateral in connection with an existing credit facility shall not be prohibited by the above restrictions.

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

From time to time, Johnson Rice & Company L.L.C. and its affiliates have, directly or indirectly, provided investment banking or financial advisory services to us for which they have received customary fees and commissions. They may provide these services to us from time to time in the future.

## **LEGAL MATTERS**

The validity of shares of common stock offered by this prospectus supplement will be passed upon for us by Akin Gump Strauss Hauer & Feld LLP. Certain legal matters will be passed upon for the underwriter by Porter & Hedges, L.L.P.

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**Prospectus**

**\$100,000,000**

**Common Stock**

**Debt Securities**

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We may offer and sell, from time to time in one or more offerings, shares of our common stock and debt securities that have an aggregate maximum offering price of \$100,000,000. We may offer these securities separately or together, or in separate series. This prospectus provides you with a general description of the securities we may offer. Each time we sell shares of our common stock or debt securities, we will provide a supplement to this prospectus that contains specific information about the offering. The supplement may also add, update or change information contained in this prospectus. You should carefully read this prospectus, all prospectus supplements and all other documents incorporated by reference in this prospectus before you invest in our securities.

**Investing in our securities involves a high degree of risks. See Risk Factors beginning on page 2.**

Our common stock is quoted on The Nasdaq Global Select Market under the symbol GPOR. On December 14, 2006, the last reported sale price of our common stock on The Nasdaq Global Select Market was \$12.50 per share.

**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 January 23, 2007.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a shelf registration statement that we filed with the Securities and Exchange Commission, or SEC. Under this registration statement, we may sell any combination of the securities described in this prospectus from time to time in one or more offerings with an aggregate offering price of up to \$100,000,000. This prospectus provides you with a general description of the securities we may offer. This prospectus does not contain all the information set forth in the registration statement as permitted by the rules of the SEC. Each time we sell securities, we will provide a supplement to this prospectus that will contain specific information about the terms of that offering. That prospectus supplement may also add, update or change information contained in this prospectus. Before purchasing any securities, you should carefully read both this prospectus and any applicable prospectus supplement, together with the additional information described in this prospectus under the headings **Where You Can Find More Information** and **Information Incorporated by Reference**.

You should rely only on the information contained in this prospectus and in any applicable prospectus supplement, including any information incorporated by reference. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information appearing in this prospectus, any prospectus supplement or any document incorporated by reference is accurate at any date other than as of the date of each such document. Our business, financial condition, results of operations and prospects may have changed since the date indicated on the cover page of such documents.

The distribution of this prospectus may be restricted by law in certain jurisdictions. You should inform yourself about and observe any of these restrictions. This prospectus does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which the offer or solicitation is not authorized, or in which the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make the offer or solicitation.

When used in this prospectus or in any supplement to this prospectus, the terms **Gulfport**, the **Company**, **we**, **our** and **us** refer to Gulfport Energy Corporation and its subsidiaries, unless otherwise indicated or the context otherwise requires.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus and the documents incorporated by reference in this prospectus include **forward-looking statements** within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as **may**, **will**, **should**, **could**, **would**, **expects**, **plans**, **anticipates**, **intends**, **believes**, **estimates**, **projects**, **predicts**, **potential** and similar expressions intended to identify forward-looking statements. All statements, other than statements of historical facts, included in this prospectus and the documents incorporated by reference in this prospectus that address activities, events or developments that we expect or anticipate will or may occur in the future, including such things as estimated future net revenues from oil and gas reserves and the present value thereof, future capital expenditures (including the amount and nature thereof), business strategy and measures to implement strategy, competitive strength, goals, expansion and growth of our business and operations, plans, references to future success, reference to intentions as to future matters and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the

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circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including those discussed under the heading "Risk Factors" in this prospectus and any prospectus supplement and those discussed in the documents we have incorporated by reference. Consequently, all of the forward-looking statements made in this prospectus, and the documents incorporated by reference in this prospectus, are qualified by these cautionary statements and we cannot assure you that the actual results or developments anticipated by us will be realized or, even if realized, that they will have the expected consequences to or effects on us, our business or operations. We have no intention, and disclaim any obligation, to update or revise any forward looking statements, whether as a result of new information, future results or otherwise.

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**OUR COMPANY**

We are an independent oil and natural gas exploration and production company with our principal properties located along the Louisiana Gulf Coast. Our operations are concentrated in two fields: West Cote Blanche Bay, or WCBB, and the Hackberry fields. We seek to achieve reserve and production growth and increase our cash flow through our annual drilling programs.

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

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

The West Hackberry field is located on land and is five miles west of Lake Calcasieu in Cameron Parish, Louisiana, approximately 85 miles west of Lafayette and 15 miles inland from the Gulf of Mexico. We own a 100% working interest (approximately 87.5% NRI) in 592 acres within the West Hackberry field. Our leases at West Hackberry are located within two miles of one of the United States Department of Energy's Strategic Petroleum Reserves.

We also hold ownership interests in entities that operate in Southeast Asia, Canada and the Williston Basin area of western North Dakota and eastern Montana.

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

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**RISK FACTORS**

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

**Risks Related to Our Business and Industry**

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

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

worldwide and domestic supplies of oil and natural gas;

the level of prices, and expectations about future prices, of oil and natural gas;

the cost of exploring for, developing, producing and delivering oil and natural gas;

the expected rates of declining current production;

weather conditions, including hurricanes, that can affect oil and natural gas operations over a wide area;

the level of consumer demand;

the price and availability of alternative fuels;

technical advances affecting energy consumption;

risks associated with drilling and well servicing operations;

the availability of pipeline capacity;

the price and level of foreign imports;

domestic and foreign governmental regulations and taxes;

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the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;

political instability or armed conflict in oil and natural gas producing regions; and

the overall economic environment.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and natural gas price movements with any certainty. For example, over the last three years, the West Texas Intermediate posted price for crude oil has ranged from a low of \$24.879 per bbl in May 2003 to a high of \$69.8323 per bbl in August 2006. The Henry Hub spot market price of natural gas has ranged from a low of \$4.44 per MMBtu in October 2003 to a high of \$13.93 per MMBtu in October 2005. Until recently, these prices have generally been at historically high levels. On December 7, 2006, the West Texas Intermediate posted price for crude oil was \$54.20 per bbl for crude oil and the Henry Hub spot market price of natural gas was \$7.315 per MMBtu. Any substantial decline in the price of oil and natural gas will likely have a material adverse effect on our operations, financial condition and level of expenditures for the development of our oil and natural gas reserves, and may result in write downs of oil and natural gas properties due to ceiling test limitations.



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

Our future success depends upon our ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable. Our proved reserves will generally decline as reserves are depleted, except to the extent that we conduct successful exploration or development activities or acquire properties containing proved reserves, or both. To increase reserves and production, we undertake development, exploration and other replacement activities or use third parties to accomplish these activities. We make and expect to continue to make substantial capital expenditures in our business and operations for the development, production, exploration and acquisition of oil and natural gas reserves. To date, we have financed capital expenditures primarily with cash flow from operations, the issuance of equity securities and borrowings under our bank and other credit facilities. Our cash flow from operations and access to capital are subject to a number of variables, including:

our proved reserves;

the level of oil and natural gas we are able to produce from existing wells;

the prices at which oil and natural gas are sold; and

our ability to acquire, locate and produce new reserves.

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

***Our failure to successfully identify, complete and integrate future acquisitions of properties or businesses could reduce our earnings and slow our growth.***

There is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. Our ability to complete acquisitions is dependent upon, among other things, our ability to obtain debt and equity financing and, in some cases, regulatory approvals. Completed acquisitions could require us to invest further in operational, financial and management information systems and to attract, retain, motivate and effectively manage additional employees. The inability to effectively manage the integration of acquisitions could reduce our focus on subsequent acquisitions and current operations, which, in turn, could negatively impact our earnings and growth. Our financial position and results of operations may fluctuate significantly from period to period, based on whether or not significant acquisitions are completed in particular periods.

***Our Canadian oil sands project is a complex undertaking and may not be completed on schedule or at budgeted cost or at all.***

We recently acquired a 25% operating interest in approximately 240,000 acres in the Canadian Oil Sands for approximately \$8.0 million. The leases are in the Athabasca region in the Province of Alberta. Current plans contemplate drilling 50 core holes during the 2006/2007 winter drilling season, commencing construction of a 10,000 barrel per day steam assisted gravity drainage facility as soon as 2008 with initial production in late 2009. Gross capital expenditures for this project are estimated to be approximately \$195 million. This is a complex project and financing has not yet been secured. Accordingly, there can be no assurance that this project will not be completed on schedule or at budgeted cost, or at all.

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

The oil and natural gas industry is cyclical, and at the present time there is a shortage of drilling rigs, equipment, supplies and personnel. The costs and delivery times of rigs, equipment and supplies has increased as

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

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

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

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

There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of expenditures, including many factors beyond our control. The reserve information incorporated by reference in this prospectus represents only estimates based on reports prepared by Netherland, Sewell & Associates, Inc. as of December 31, 2005. Petroleum engineering is not an exact science. Information relating to our proved oil and natural gas reserves is based upon engineering estimates. Estimates of economically recoverable oil and natural gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, future site restoration and abandonment costs, the assumed effects of regulations by governmental agencies and assumptions concerning future oil and natural gas prices, future operating costs, severance and excise taxes, capital expenditures and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of the future net cash flows expected therefrom prepared by different engineers or by the same engineers at different times may vary substantially. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and such variances may be material.

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

actual prices we receive for oil and natural gas;

the amount and timing of actual production;

supply of and demand for oil and natural gas; and

changes in governmental regulations or taxation.

The timing of both our production and our incurrence of costs in connection with the development and production of oil and natural gas properties will affect the timing of actual future net revenues from proved reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating

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discounted future net cash flows may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and natural gas industry in general.

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

Our operations are concentrated in Louisiana. As a result, we may be disproportionately exposed to the impact of delays or interruptions of production from this region caused by hurricanes or other natural disasters, significant governmental regulation or lack of field infrastructure. Losses could occur for uninsured risks or in amounts in excess of any existing insurance coverage. We cannot assure you that we will be able to obtain and maintain adequate insurance at rates we consider reasonable or that any particular types of coverage will be available.

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

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

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

Our operations are subject to all of the hazards and operating risks inherent in drilling for and production of oil and natural gas, including the risk of fire, explosions, blowouts, pipe failure, abnormally pressured formations and environmental hazards such as oil spills, gas leaks, ruptures or discharges of toxic gases. The occurrence of any of these events could result in substantial losses to us due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. For example, in October 2006, an accident occurred north of our production facilities in the WCBB field in southern Louisiana involving two contracted vessels that were performing work on our behalf in the field. A tugboat and two barges laden with construction materials ruptured an underwater natural gas pipeline and a subsequent fire damaged the vessels. Four confirmed fatalities resulted from the accident. The accident is currently under investigation by the Natural Transportation Safety Board and the United States Coast Guard.

In accordance with customary industry practice, we historically have maintained insurance against some, but not all, of our business risks. We cannot assure you that our insurance will be adequate to cover any losses or liabilities we may suffer. We also cannot predict the continued availability of insurance, or its availability at premium levels that justify its purchase. In addition, we understand that insurance carriers are modifying or otherwise restricting insurance coverage or ceasing to provide certain types of insurance coverage in the Gulf Coast region. We may also be liable for environmental damage caused by previous owners of properties purchased by us, which liabilities would not be covered by insurance.

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

Our oil and natural gas operations are subject to various federal, state and local governmental regulations that may be changed from time to time in response to economic and political conditions. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the

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

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

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

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

The availability of a ready market for any oil and natural gas we produce depends on numerous factors beyond the control of our management, including but not limited to the extent of domestic production and imports of oil, the proximity and capacity of gas pipelines, the availability of skilled labor, materials and equipment, the effect of state and federal regulation of oil and natural gas production and federal regulation of gas sold in interstate commerce. The oil and natural gas we produce in Louisiana is sold to purchasers who service the areas where our wells are located. We sell the majority of our oil to Shell Trading Company, or Shell. Shell takes custody of the oil at the outlet from our oil storage barge. Our production is being sold in accordance with the posted price for West Texas/New Mexico Intermediate crude plus Platt's trade month average P+ value, plus or minus the Platt's WII/LLS differential less \$0.85 per bbl for transportation. For the nine months ended September 30, 2006, we sold 99% of our oil production to Shell and 96% of our natural gas production to Chevron. During 2005, we sold 99% of our oil production to Shell and 88% of our natural gas production to Chevron. During 2004, we sold 99% of our oil production to Shell and 68% and 21% of our natural gas production to Chevron and Apache Corporation, respectively. Our wells are not subject to any agreements that would prevent us from either selling our production on the spot market or committing such gas to a long-term contract; however, there can be no assurance that we will continue to have ready access to suitable markets for our future oil and natural gas production.

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

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

Companies that use the full cost method of accounting for oil and gas properties are required to perform a ceiling test each quarter. The test determines a limit, or ceiling, on the book value of the oil and gas properties. Net capitalized costs are limited to the lower of unamortized cost net of deferred income taxes or the cost center

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

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

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

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

To reduce our exposure to short-term fluctuations in the price of oil and natural gas, we periodically enter into hedging arrangements. Our hedging arrangements for 2006 involved 45,000 barrels of oil per month at a price of \$64.05 per barrel. In October 2006, we terminated the remaining three months of hedging arrangements for 2006. We currently have no hedging arrangements in place, but we may enter into such arrangements in the future. Such hedging arrangements may expose us to risk of financial loss in certain circumstances, including instances where production is less than expected or oil prices increase. For example, under these arrangements the counterparty may require us to post cash collateral approximately equal to the difference between the agreed contract price of \$64.05 per barrel and a defined market price multiplied by the remaining barrels of oil under the open contracts. As a result, significant increases in oil prices could adversely affect our financial position. In addition, our hedging arrangements may limit the benefit to us of increases in the price of oil.

***A terrorist attack or armed conflict could harm our business.***

Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or other countries may adversely affect the United States and global economies and could prevent us from meeting our financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for our services and causing a reduction in our revenues. Oil and natural gas related facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

***Conservation measures and technological advances could reduce demand for oil and natural gas.***

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices could reduce demand for oil and natural gas. Management cannot predict the impact of the changing demand for oil and gas services and products, and any major changes may have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

## **Risks Related to Our Common Stock**

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

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

changes in oil and natural gas prices;

changes in production levels;

changes in governmental regulations and taxes;

geopolitical developments;

adverse severe weather conditions;

the level of foreign imports of oil and natural gas; and

conditions in the oil and natural gas industry and the overall economic environment.

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Because of the factors listed above, among others, we believe that our quarterly revenues, expenses and operating results may vary significantly in the future and that period-to-period comparisons of our operating results are not necessarily meaningful. You should not rely on the results of one quarter as an indication of our

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future performance. It is also possible that in some future quarters, our operating results will fall below our expectations or the expectations of market analysts and investors. If we do not meet these expectations, the price of our common stock may decline significantly.

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

As of December 14, 2006, our executive officers and directors, in the aggregate, beneficially owned approximately 3.1% of our outstanding common stock. Additionally, Charles E. Davidson beneficially owned approximately 41.5% of our outstanding common stock. As a result, these stockholders acting together are able to exercise significant influence over most matters requiring approval by our stockholders, including the election of directors and the approval of significant corporate transactions. Such a concentration of ownership may have the effect of delaying or preventing a change in control of us, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices.