PETROHAWK ENERGY CORP
Form 424B5
May 09, 2008

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Filed Pursuant to Rule No. 424(b)(5)
Registration Statement No. 333-137347

CALCULATION OF REGISTRATION FEE

Class of Securities Registered	Shares Registered	Proposed Offering Price Per Share	Proposed Aggregate Offering Price	Amount of Registration Fee(3)
Common Stock, par value $0.001 per share	28,750,000(1)	$23.10(2)	$664,125,000	$26,101(4)

(1) Includes 3,750,000 shares that the underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c). Such price is based upon the average of the high and low prices of the registrant s common stock as reported on the New York Stock Exchange on May 2, 2008.

(3) The registration fee is being paid on a deferred basis in reliance upon Rules 456(b) and 457(r).

(4) Previously, in connection with filing a preliminary prospectus supplement dated May 6, 2008 filed under Rule 424(b)(5), the registrant paid a filing fee of $21,592 pursuant to Rule 457(c). Based on the increase in the Offering and for the registration of the additional 4,600,000 shares, the registrant hereby is paying an additional filing fee of $4,509.

Prospectus Supplement
(To Prospectus dated September 15, 2006)

25,000,000 Shares

Common Stock

We are selling 25,000,000 shares of our common stock. Our common stock is listed on the New York Stock Exchange under the symbol HK. On May 8, 2008, the last sale price of our common stock as reported on the New York Stock Exchange was $26.64 per share.

Concurrently with this offering of our common stock, we are offering an aggregate of $500,000,000 of our senior notes due 2015 pursuant to Rule 144A under the Securities Act of 1933. The completion of this offering is not conditioned on the completion of the senior notes offering.

Investing in our common stock involves risks. See Risk Factors beginning on page S-9 of this prospectus supplement and in the documents incorporated by reference in this prospectus supplement.

	Per Share	Total

Public offering price	$ 26.39	$ 659,750,000
Underwriting discounts	$ 1.055	$ 26,375,000
Proceeds to Petrohawk Energy Corporation (before expenses)	$ 25.335	$ 633,375,000

We have granted the underwriters a 30-day option to purchase up to an additional 3,750,000 shares of our common stock from us on the same terms and conditions as set forth above if the underwriters sell more than 25,000,000 shares of common stock in this offering.

Neither the Securities and Exchange Commission nor any state securities regulators have approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers, on behalf of the underwriters, expects to deliver the shares on or about May 13, 2008.

Joint Book-Running Managers

Lehman Brothers **Merrill Lynch & Co.**

JPMorgan

BMO Capital Markets
Jefferies & Company
RBC Capital Markets
UBS Investment Bank

May 8, 2008.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement and the documents incorporated by reference herein, which, among other things, describes the specific terms of this offering. The second part, the accompanying prospectus and the documents incorporated by reference therein, gives more general information, some of which may not apply to this offering. If the description of this 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, the accompanying prospectus and any related free writing prospectus. We have not authorized anyone to provide you with different information. We are not and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

All references in this prospectus supplement to we, our, us, the Company, or Petrohawk are to Petrohawk Energ Corporation, a Delaware corporation.

SUMMARY

This summary highlights selected information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference. This summary is not complete and does not contain all of the information that you should consider before deciding whether or not to invest in our common stock. For a more complete understanding of our Company and this offering, we encourage you to read this entire document, including Risk Factors, the financial and other information incorporated by reference in this prospectus supplement and the other documents to which we have referred you.

PETROHAWK ENERGY CORPORATION

Overview

We are an independent oil and natural gas company engaged in the acquisition, development, production and exploration of oil and natural gas properties located onshore in the United States. We focus on properties within our core operating areas which we believe have significant development and exploration opportunities. Our properties are primarily located in the Mid-Continent region, including North Louisiana and the Fayetteville Shale in the Arkoma basin of Arkansas, and in the Western region, including the Permian Basin of West Texas and southeastern New Mexico.

At December 31, 2007, our estimated total proved oil and natural gas reserves, as prepared by our independent reserve engineering firm, Netherland, Sewell & Associates, Inc., were approximately 1,062 billion cubic feet of natural gas equivalents (Bcfe), consisting of 18 million barrels of oil (MMBbl), and 955 billion cubic feet (Bcf) of natural gas and natural gas liquids. Approximately 57% of our proved reserves were classified as proved developed, and 90% were natural gas. For the first quarter of 2008, our average daily net production was approximately 261 million cubic feet of natural gas equivalents per day (MMcfe/d).

We focus on maintaining a portfolio of long-lived, lower risk properties in resource-style plays, which typically are characterized by lower geological risk and a large inventory of identified drilling opportunities. We believe the steps we have taken during 2007 and to-date in 2008 will help us grow production and reserves in resource-style, tight-gas areas in North Louisiana and Arkansas. Our current drilling inventory consists of approximately 13,000 identified locations, 11,500 of which are resource-style.

Recent Developments

Haynesville Shale

During the first quarter of 2008, we initiated leasing and acquisition efforts in order to supplement our existing Elm Grove/Caspiana field leasehold position of approximately 30,000 net acres that we believe is prospective for the Haynesville Shale, which is found at a depth of approximately 10,500 to 13,000 feet, or approximately 1,500 feet deeper than the deepest productive Cotton Valley sand in the area. We spud our initial operated Haynesville Shale horizontal well late in the first quarter of 2008. We have acquired or entered into agreements to acquire approximately 108,000 net acres in Northwest Louisiana that we believe have Haynesville Shale potential. In total, we currently own or have entered into agreements to acquire over 150,000 net acres in the Haynesville Shale play.

Fayetteville Shale

During the last six months of 2007, we increased our position in the Fayetteville Shale by acquiring approximately 90,000 net acres that we believe to be strategically located, the vast majority of which represent undeveloped properties. These acquisitions were completed in three separate transactions which closed in July, August and December for total cash consideration of approximately $409 million. In addition, we added approximately 20,000 net acres in the Fayetteville Shale for approximately $20 million through our ongoing leasing activities.

On February 8, 2008, we completed an acquisition of additional properties located in the Fayetteville Shale for approximately $231 million after customary closing adjustments. These properties included interests primarily in Van Buren and Cleburne Counties, Arkansas. These properties included approximately 18,500 net acres and are substantially undeveloped.

Elm Grove Field

On January 22, 2008, we completed an acquisition of interests in the Elm Grove Field, located primarily in Bossier and Caddo Parishes of North Louisiana, for approximately $169 million. We internally estimated that as of December 31, 2007, the purchase included approximately 78 Bcfe of proved reserves, of which 35% were proved developed and 90% were operated.

Gulf Coast Properties

On November 30, 2007, we completed the sale of our Gulf Coast properties for $825 million, consisting of $700 million in cash and a $125 million five-year note from the purchaser. Proceeds from the sale were recorded as a decrease to our full cost pool. Pursuant to the terms of this note, on or before April 28, 2008 the purchaser was eligible to redeem and did redeem the note for $100 million. The proceeds from this redemption were used to pay down indebtedness under our senior revolving credit facility.

2008 Capital Budget Update

We recently announced an increase of our 2008 capital budget from $800 million to $1.3 billion, which is described below by primary operating area. Approximately 90% of our budgeted capital expenditures are expected to be controlled by us as the operator. As of March 31, 2008, we had spent approximately $150 million of our 2008 capital budget.

Area	Estimated Gross Drilling Locations (Risked)	Total Expenditures (In millions)	% of Total Expenditures	Total 2008 Wells Budgeted
Haynesville Shale	2,500	$ 384	30%	10
Fayetteville Shale	6,600	318	24	270
Elm Grove/Caspiana	1,500	293	23	190
Terryville	900	121	9	75
Western Region	1,500	184	14	140
Total	13,000	$ 1,300	100%	685

Description of Core Operating Areas

Mid-Continent Region

In the Mid-Continent region, we concentrate our drilling program primarily in North Louisiana and in the Fayetteville Shale of the Arkoma Basin. We believe our Mid-Continent region operations provide us with a solid base for future production and reserve growth. During 2007, we drilled 267 wells in this region with a success rate of 98%. In 2008, we plan to drill 545 wells in this region, the majority of which will be operated by us. In 2007, we produced 53 Bcfe in this region, or an average of 146 MMcfe/d. As of December 31, 2007, approximately 69% of our proved reserves, or 737 Bcfe, were located in our Mid-Continent region.

Haynesville Shale In the last several months, the Haynesville Shale has become one of the most active natural gas plays in the United States. This area is defined by a shale formation located approximately 1,500 feet below the Cotton Valley formation at depths ranging from approximately 10,500 to 13,000 feet. The formation is as much as 300 feet thick and is composed of an organic rich black shale. It is located across numerous parishes in Northwest Louisiana, primarily in Caddo, Bossier, Red River, DeSoto, Webster and Bienville parishes and also in East Texas, primarily in Harrison, Panola and Shelby counties. Our Elm Grove/Caspiana acreage position is located near what we believe is the center of the play. We believe our acreage in those fields is prospective for Haynesville Shale natural gas production based, in part, on a vertical test well we drilled in 2006 in which over 200 feet of Haynesville Shale was found to be present. We have a total of approximately 30,000 net acres of Haynesville Shale rights that are held by shallower production in Elm Grove/Caspiana. In addition, we have acquired or have the right to acquire approximately 108,000 additional net acres throughout the prospective area of the play. We are currently drilling our first horizontal well and expect to spud two additional horizontal wells during the second quarter of this year. We plan to drill a total of 10 wells in 2008 and anticipate increasing that activity significantly in 2009, subject to drilling results.

Fayetteville Shale We have assembled a position of approximately 150,000 net acres in the Fayetteville Shale, which we believe holds significant potential for production and reserve growth. The Fayetteville Shale is an unconventional gas reservoir located in the Arkoma Basin in Arkansas, at a depth of approximately 1,500 to 6,500 feet and ranging in thickness from 100 to 500 feet. The formation is a Mississippian-age shale that has similar geologic characteristics to the Barnett Shale in the Ft. Worth Basin of North Texas. Drilling in the play began in 2004 and has accelerated rapidly during the past two years, with over 400 wells drilled during 2007. To date, the best results have been obtained by drilling horizontal wells with lateral lengths of 2,500 to 3,000 feet and utilizing slickwater fracture stimulation completions. Due to the high degree of industry drilling success to date across portions of five counties, acquisition of acreage in the play has become extremely competitive. We own varying working and net revenue interests in this field. As of December 31, 2007, proved reserves for this field were approximately 54 Bcfe. During 2007, we drilled 70 wells, and in 2008, we plan to drill 270 wells in this area. We have taken steps to build gathering systems to ensure that we have adequate pipeline capacity to support our expanded activities in this area.

Elm Grove/Caspiana Field Our largest field, located primarily in Bossier and Caddo Parishes of North Louisiana, currently produces primarily from the Hosston and Cotton Valley formations. These zones are composed of low permeability sandstones that require fracture stimulation treatments to produce. We currently own interests in 123 sections with over 30,500 net acres. We own varying working and net revenue interests in this field. We produced 34 Bcfe in 2007 in this field. As of December 31, 2007, proved reserves for the Elm Grove/Caspiana field were approximately 542 Bcfe, of which approximately 50% were classified as proved undeveloped and approximately 19% proved developed non-producing.

We have been actively drilling infill wells on 40- and 20-acre spacing at Elm Grove utilizing between four and eight operated drilling rigs. During 2007, we drilled 125 wells, and in 2008, we plan to drill 190 wells, including 20 horizontal wells, that we expect to continue growing production and reserves. Additionally, we have successfully utilized coiled tubing for recompletions to fracture stimulate and commingle the shallower Hosston formation with the existing Lower Cotton Valley formation, increasing the present value of the wells and reducing additional capital expenditures. To date, we have performed over 150 of these procedures and have 53 planned in 2008. We recently completed a horizontal well with an initial production rate of 16.5 MMcfe/d. It was our first operated horizontal well drilled in the Lower Cotton Valley Taylor sand. Based on these results, we have identified and scheduled a 10 well, two rig program targeting the Taylor sand in 2008. The first two wells in this program were completed with initial production rates of 13 MMcfe/d and 6 MMcfe/d.

Our recently closed acquisition in Elm Grove provides a new area of operation which we believe is significantly underdeveloped. The acreage has a large number of remaining 40-acre spacing locations and has not had any 20-acre spacing locations drilled to date. Additionally, the vast majority of the well bores have not been recompleted in the Hosston formation, which we believe will add significantly to our inventory of coiled tubing recompletion opportunities.

Terryville Field Located in Lincoln Parish, Louisiana, this is our second largest producing field. We have acquired a significant acreage position and hold interests in over 100 sections with over 34,000 net acres. The objective formations in this field include the Cotton Valley, Bossier and Gray sands. We own varying working and net revenue interests in this field. As of December 31, 2007, proved reserves for this field were approximately 122 Bcfe. In 2007, we drilled 43 wells, all of which were successful. In

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2008, we intend to drill 75 wells, including several extension and exploration wells. During 2007, we began a 20-acre downspacing program, drilling three wells. Based on the success to date of this initiative, we have 15 20-acre wells planned in 2008. We produced 14 Bcfe in 2007 in this field.

During 2007 we acquired a 50-square mile 3D seismic dataset over the field. Delivered late in the third quarter, the data identified several areas which we believe present significant drilling opportunities. Specifically, the data has been used to identify potential gas bearing Gray sand structures, and an area of Bossier expansion that we feel is indicative of sand development. During the latter part of 2007, we drilled a number of wells in this area of Bossier expansion and have determined that the area does contain Bossier sands that have resulted in production.

In late December 2007, we closed the acquisition of approximately 8,000 net acres immediately west and contiguous to our Terryville leasehold. The area overlies a large untested structure in the Lower Cotton Valley/Bossier/Gray sands. The majority of the production from the field has come from Upper Cotton Valley and Hosston sands. However, these sands appear to be underdeveloped, and numerous developmental drilling opportunities have been identified to exploit these reservoirs. We are currently in the process of acquiring approximately 60-square miles of 3D seismic data over the acreage that will be merged with our existing 3D seismic data over Terryville.

Western Region

The properties in our Western region generally have long production histories and relatively stable production rates. We plan to concentrate our drilling program in fields which we believe generally have relatively low risk profiles. Our Western region includes properties in the Permian, Anadarko, Arkoma and East Texas basins. During 2007, we drilled 75 wells in this region with a success rate of 99%. In 2008, we plan to drill 140 wells in this region. In 2007, we produced 28 Bcfe in this region, or an average of 76 MMcfe/d. As of December 31, 2007, approximately 31% of our proved reserves, or 325 Bcfe, were located in our Western region.

West Edmond Hunton Lime Unit The West Edmond Hunton Lime Unit (WEHLU) is located in central Oklahoma, with the majority of the productive area located in Oklahoma County. We have an interest in approximately 30,000 gross acres in the field. We currently produce approximately 8 MMcfe/d, and at year end 2007, we had approximately 19 Bcfe of proved reserves in this field. Our operations cover approximately 24,300 acres under which we have a 98% working interest. Discovered in 1943, the field has produced in excess of 110 MMBbl of oil and approximately 1 trillion cubic feet of natural gas from the Hunton formation at approximately 7,000 feet. Over the past several years, the field has been redeveloped with a combination of infill vertical and horizontal drilling that has resulted in improved oil and natural gas production. Our most recent operated completion was a horizontal well that had an initial production rate of approximately 3 MMcfe/d, and we have an active program of vertical and horizontal drilling scheduled for 2008. In addition to our operated position, we have an area of mutual interest with Chesapeake Energy Corporation that covers approximately 5,700 acres in which we have a non-operated 40% working interest. This portion of the field is also undergoing an active development program.

Permian Basin The Permian Basin is characterized by oil and natural gas fields with large accumulations of original hydrocarbons in place, long production histories and multiple producing formations. Our principal properties are in the Waddell Ranch field in Crane County, Texas, the TXL field in Ector County, Texas, the Sawyer Canyon field in Sutton County, Texas, and the Jalmat field in Lea County, New Mexico. Our producing properties in the Permian Basin are mature fields with fairly predictable production and with relatively low production decline rates. We intend to pursue relatively low risk development drilling and workover projects designed to partially offset the natural production decline rates in our existing fields. We drilled 23 wells in this area in 2007 with a 100% success rate.

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Other Areas We have meaningful interests in various other areas, including, the Cotton Valley/Travis Peak/James Lime trend in the East Texas Basin and the Woodford Shale in the Arkoma Basin. During 2007, we drilled 72 wells in these areas with a 93% success rate.

Corporate Information

Petrohawk is a Delaware corporation originally organized in Nevada in June 1997 and reincorporated in Delaware during 2004. Our principal offices are located at 1000 Louisiana Street, Suite 5600, Houston, Texas 77002, telephone number (832) 204-2700, fax number (832) 204-2800, and our website can be found at *www.petrohawk.com*. Unless specifically incorporated by reference in this prospectus supplement, information that you may find on our website is not part of this prospectus supplement.

On March 13, 2007, the listing of our common stock was transferred from the NASDAQ Global Select Market (symbol: HAWK) to the New York Stock Exchange (symbol: HK).

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THE OFFERING

Common stock offered	25,000,000 shares(1)
Common stock outstanding after this offering	218,026,716 shares(1)(2)
Use of proceeds	We intend to use the estimated net proceeds from this offering of approximately $632.4 million and estimated net proceeds from our concurrent senior notes offering of $489.5 million to repay the outstanding borrowings under our senior revolving credit facility, which, together with cash provided by our concurrent senior notes offering, will provide us additional financial flexibility to fund our increased capital budget for the year ending December 31, 2008 and acquisitions. Please see Use of Proceeds. Certain of the underwriters or their affiliates are lenders under our senior revolving credit facility and, accordingly, may receive a portion of the proceeds of this offering. Please see Underwriting Affiliations. If the underwriters exercise their option to purchase additional shares, we intend to use the net proceeds from the sale of additional common shares to fund our increased capital budget and for general corporate purposes.
NYSE symbol	HK

(1) Excludes shares that may be issued to the underwriters pursuant to their option to purchase additional shares. If the underwriters exercise their option to purchase additional shares in full, the total number of shares of common stock offered will be 28,750,000 and the total number of shares of our common stock outstanding after this offering will be 221,776,716 based on a total outstanding shares of common stock of 193,026,716 as of May 8, 2008.

(2) Excludes 3,857,175 shares potentially issuable as of May 8, 2008, under outstanding options to purchase a total of 6,265,663 shares of common stock at a weighted average exercise price of $10.24, calculated as a net issuance using the closing price of our common stock on May 8, 2008 of $26.64 and excludes 1,744,163 shares potentially issuable as of May 8, 2008, under outstanding warrant agreements covering a total of 1,990,768 shares of common stock at a weighted average exercise price of $3.30, calculated as a net issuance using the closing price of our common stock on May 8, 2008 of $26.64. We also have reserved 5,911,376 additional shares as of that date for future equity awards under our existing benefit plans.

CONCURRENT SENIOR NOTES OFFERING

Concurrently with this offering of common stock, we are offering an aggregate of $500,000,000 of our senior notes due 2015 pursuant to Rule 144A under the Securities Act of 1933. The completion of this offering is not conditioned on the completion of the senior notes offering.

RISK FACTORS

In evaluating an investment in our common stock, prospective investors should carefully consider, along with the other information set forth or incorporated by reference in this prospectus supplement (including the risk factors set forth in our annual report on Form 10-K for the year ended December 31, 2007), the specific factors set forth under Risk Factors for risks involved with an investment in our common stock.

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SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

Below is a summary of our historical and pro forma financial data derived from:

our audited financial statements for the year ended December 31, 2007;

our unaudited pro forma financial statements for the year ended December 31, 2007 and the three months ended March 31, 2007 showing the effect of the divestiture of the Gulf Coast properties as described in the Summary Recent Developments section above as if it were sold on January 1, 2007; and

our unaudited financial statements for the three months ended March 31, 2008.

Pro forma information does not include adjustments for this offering or our concurrent senior notes offering. We have not included our historical financial data for prior periods as they are not comparable due to various acquisitions and divestitures that have occurred.

	Year Ended December 31, 2007		Three Months Ended March 31, 2007	Three Months Ended March 31, 2008
	Historical	Pro Forma	Pro Forma	Historical
	(In thousands, except per share amounts)			
Operating revenues:				
Oil and natural gas	$ 883,405	$ 622,205	$ 142,447	$ 214,938
Operating expenses:				
Production:				
Lease operating	64,666	42,417	9,679	12,394
Workover and other	7,700	3,972	974	537
Taxes other than income	58,347	39,319	9,172	10,964
Gathering, transportation and other	33,015	25,869	5,274	9,523
General and administrative	73,867	61,982	15,601	16,154
Depletion, depreciation and amortization	395,161	297,501	66,820	83,127
Total operating expenses	632,756	471,060	107,520	132,699
Income from operations	250,649	151,145	34,927	82,239
Other expenses:				
Net loss on derivative contracts	(35,011)	(35,011)	(58,933)	(142,741)
Interest expense and other	(129,603)	(127,870)	(30,317)	(27,537)
Total other expenses	(164,614)	(162,881)	(89,250)	(170,278)
Income (loss) before income taxes	86,035	(11,736)	(54,323)	(88,039)
Income tax (provision) benefit	(33,138)	4,520	20,307	32,427

Net income (loss)	$ 52,897	$ (7,216)	$ (34,016)	$ (55,612)
Earnings (loss) per share of common stock:				
Basic	$ 0.31	$ (0.04)	$ (0.20)	$ (0.30)
Diluted	$ 0.31	$ (0.04)	$ (0.20)	$ (0.30)
Weighted average shares outstanding:				
Basic	168,006	168,006	167,306	183,629
Diluted	171,248	168,006	167,306	183,629

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Summary Capitalization Data(1):

	As of March 31, 2008		
	Actual	As Adjusted for this Offering (In thousands)	As Adjusted for both Offerings
Cash	$ 7,199	$ 104,574	$ 594,024
Long-term debt	$ 1,560,849	$ 1,025,849	$ 1,525,849
Stockholders equity	2,259,720	2,892,095	2,892,095
Total capitalization	$ 3,820,569	$ 3,917,944	$ 4,417,944

(1) See Capitalization for a description of certain assumptions and qualifications.

RISK FACTORS

An investment in our common stock is subject to a number of risks. You should carefully consider the following risks, as well as the section titled Risk Factors included in our annual report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference, as well as the other documents incorporated herein by reference, in evaluating this investment. If any of the following risks actually occur, our business, financial condition or results of operations could suffer. In any such case, the trading price of our common stock and other securities could decline, and you could lose all or part of your investment.

Risks relating to this offering and our common stock

There may be future dilution of our common stock or other equity, which may adversely affect the market price of our common stock.

Except as described under Underwriting, we are not restricted from issuing additional shares of our common stock or securities convertible into or exchangeable for our common stock. If we issue additional shares of our common stock or convertible or exchangeable securities, it may adversely affect the market price of our common stock. Our certificate of incorporation authorizes our board of directors to issue up to 300,000,000 shares of our common stock, par value $0.001 per share, and up to 5,000,000 shares of our preferred stock, par value $0.001 per share. As of May 8, 2008, we had outstanding 193,026,716 shares of our common stock and zero shares of our preferred stock.

In addition, to the extent options to purchase common stock under our employee stock option plans are exercised, holders of our common stock will experience dilution. As of May 8, 2008, we had outstanding options to purchase 6,265,663 shares of common stock at a weighted average exercise price of $10.24 per share. We also have 1,990,768 shares of common stock potentially issuable under outstanding warrant agreements at a weighted average exercise price of $3.30 per share.

The market price of our common stock has historically experienced volatility.

The market price of our common stock has historically experienced fluctuations. The market price of our common stock is likely to continue to be volatile and subject to price and volume fluctuations in response to commodity price volatility, market and other factors, including the other risk factors discussed elsewhere in Risk Factors and Cautionary Statement Regarding Forward-Looking Statements. Volatility or depressed market prices of our common stock could make it difficult for you to resell shares of our common stock when you want or at attractive prices.

We may issue shares of preferred stock with greater rights than our common stock.

Although we have no current plans, arrangements, understandings or agreements to issue any preferred stock, our certificate of incorporation authorizes our board of directors to issue one or more series of preferred stock and set the terms of the preferred stock without seeking any further approval from our stockholders. Any preferred stock that is issued may rank ahead of our common stock in terms of dividends, liquidation rights or voting rights. If we issue preferred stock, it may adversely affect the market price of our common stock.

We have never paid dividends on our common stock and we do not anticipate paying any in the foreseeable future.

We have not paid dividends on our common stock to date, and we do not anticipate paying dividends for the foreseeable future. Our earnings, in general, will be used to finance acquisitions and our existing operations to develop our properties. Any future dividends will depend upon our earnings, our then-existing financial requirements and other factors, and will be at the discretion of our board of directors. We are also restricted from paying cash dividends on common stock under our senior revolving credit facility and our long-term debt.

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Our large inventory of undeveloped acreage may create additional economic risk.

Our success is largely dependent upon our ability to develop our large and increasing inventory of undeveloped acreage in resource-style plays in Arkansas and Louisiana. To the extent our drilling results are not as successful as we anticipate and/or natural gas and oil prices decline, the return on our investment in these areas may not be as attractive as we anticipate and our common stock price may decrease.

Part of our strategy involves exploratory drilling, including drilling in new or emerging plays. As a result, our drilling results in these areas are uncertain, and the value of our undeveloped acreage will decline if our drilling results are unsuccessful.

The results of our exploratory drilling in new or emerging plays, such as the Fayetteville Shale and the Haynesville Shale, are more uncertain than drilling results in areas that are developed and have established production. Since new or emerging plays and new formations have limited or no production history, we are less able to use past drilling results in those areas to help predict our future drilling results. As a result, our return on investment in these areas may be less than initially expected, resulting in a decline in the value of our undeveloped acreage. We could incur material write downs of unevaluated properties in the future if our drilling results are unsuccessful.

We have substantial indebtedness and may incur substantially more debt. Any failure to meet our debt obligations would adversely affect our business and financial condition.

We have incurred substantial debt amounting to $1.56 billion as of March 31, 2008, and we are engaging in a concurrent senior notes offering of an additional $500 million. As a result of our indebtedness we will need to use a portion of our cash flow to pay principal and interest, which will reduce the amount we will have to finance our operations and other business activities and could limit our flexibility in planning for or reacting to changes in our business and the industry in which we operate. Our indebtedness under our senior revolving credit facility is at a variable interest rate, and so a rise in interest rates will generate greater interest expense to the extent we do not have applicable interest rate protection hedges. The amount of our debt may also cause us to be more vulnerable to economic downturns and adverse developments in our business.

We may incur substantially more debt in the future. The indentures governing our outstanding notes and the concurrent senior notes offering contain restrictions on our incurrence of additional indebtedness. These restrictions, however, are subject to a number of qualifications and exceptions, and under certain circumstances, we could incur substantial additional indebtedness in compliance with these restrictions. Moreover, these restrictions do not prevent us from incurring obligations that do not constitute indebtedness under the indentures. As of March 31, 2008, we had approximately $465 million of additional borrowing capacity under our senior revolving credit facility, subject to specific requirements, including compliance with financial covenants. To the extent we incur indebtedness, other than under our senior revolving credit facility, our borrowing base under our senior revolving credit facility will be reduced by $0.25 for each additional dollar of new debt.

Our ability to meet our debt obligations and other expenses will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors, many of which we are unable to control. If our cash flow is not sufficient to service our debt, we may be required to refinance the debt, sell assets or sell additional shares of common stock on terms that we do not find attractive if it may be done at all. Further, our failure to comply with the financial and other restrictive covenants relating to our indebtedness could result in a default under that indebtedness, which could adversely affect our business, financial condition and results of operations.

We may have difficulty financing our planned capital expenditures which could adversely affect our growth.

We have experienced, and expect to continue to experience, substantial capital expenditure and working capital needs, particularly as a result of our drilling and leasing program. We have increased our 2008 capital budget from $800 million to $1.3 billion, with an increased percentage of the budget allocated to land

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acquisitions. Our planned capital expenditures for 2008 are expected to exceed the net cash generated by our operations. We expect to use borrowings under our senior revolving credit facility and proceeds from our concurrent senior notes offering to fund capital expenditures that are in excess of our cash flow and cash on hand. Our ability to borrow under our senior revolving credit facility is subject to certain conditions, and subject to our borrowing base, which will be reduced as a result of incurring additional indebtedness under our concurrent senior notes offering. If we are not able to borrow under our senior revolving credit facility or do not receive sufficient proceeds from our concurrent senior notes offering to fund our capital expenditures, we may be required to curtail our drilling, development, land acquisition activities and other activities and/or be forced to sell some of our assets on an untimely or unfavorable basis. Any such curtailment or sale could have a material adverse effect on our results and future operations.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information discussed in this prospectus, our filings with the Securities and Exchange Commission (SEC) and our public releases include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, referred to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act. All statements, other than statements of historical facts, included herein concerning, among other things, planned capital expenditures, increases in oil and gas production, the number of anticipated wells to be drilled after the date hereof, future cash flows and borrowings, pursuit of potential acquisition opportunities, our financial position, business strategy and other plans and objectives for future operations, are forward-looking statements. These forward-looking statements are identified by their use of terms and phrases such as may, expect, estimate, project, plan, believe, achievable, anticipate and similar terms and phrases. Although we believe tha expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, among others:

- our ability to successfully develop our large inventory of undeveloped acreage primarily held in resource-style areas in Arkansas and Louisiana and in our higher risk exploratory plays such as Haynesville Shale;
- the volatility in commodity prices for oil and natural gas;
- the possibility that the industry may be subject to future regulatory or legislative actions (including any additional taxes);
- the presence or recoverability of estimated oil and natural gas reserves and the actual future production rates and associated costs;
- our ability to generate sufficient cash flow from operations, borrowings or other sources to enable us to fully develop our undeveloped acreage positions;
- the ability to replace oil and natural gas reserves;
- environmental risks;
- drilling and operating risks;
- exploration and development risks;
- competition, including competition for acreage in resource-style areas;
- management s ability to execute our plans to meet our goals;
- our ability to retain key members of our senior management and key employees;
- our ability to obtain goods and services, such as drilling rigs and tubulars, to execute our drilling program;
- general economic conditions, whether internationally, nationally or in the regional and local market areas in which we do business, may be less favorable than expected, including the possibility that the United States may

- be entering into an economic slow-down which could affect the demand for natural gas, oil and natural gas liquids;
- continued hostilities in the Middle East and other sustained military campaigns or acts of terrorism or sabotage; and
- other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors may negatively impact our businesses, operations or pricing.

Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in our other filings with the SEC that are incorporated by reference herein and in the section entitled Risk Factors included elsewhere in this prospectus supplement or the prospectus. For additional information regarding risks and uncertainties, please read our other filings with the SEC under the

Exchange Act and the Securities Act, including our annual report on Form 10-K for the fiscal year ended December 31, 2007 and our quarterly reports on Form 10-Q for the fiscal quarter ended March 31, 2008. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this prospectus and in the documents incorporated by reference. Other than as required under the securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $632.4 million after deducting fees and expenses (including underwriting discounts and commissions) and no exercise of the underwriters option to purchase additional shares. We intend to use the net proceeds from this offering to repay the outstanding borrowings under our senior revolving credit facility, which, together with an estimated $489.5 million provided by our concurrent senior notes offering, will provide us additional financial flexibility to fund our increased capital budget for the year ending December 31, 2008 and acquisitions. Amounts repaid under our senior revolving credit facility may be re-borrowed, subject to the borrowing base in such facility, which will be reduced if we incur additional indebtedness from our concurrent senior notes offering by $0.25 for each additional dollar of new debt, resulting in a projected borrowing base of $875 million.

If the underwriters exercise their option to purchase additional shares, we intend to use the net proceeds of approximately $95.0 million from the sale of additional shares to fund our increased capital budget and for general corporate purposes.

As of May 8, 2008, we had approximately $630 million of borrowings outstanding under our senior revolving credit facility. Funds from borrowings under our senior revolving credit facility during the previous 12 months were used to fund our acquisitions of various oil and natural gas properties, capital expenditures and other general corporate purposes. Our borrowings fluctuate during any month depending on our various working capital needs.

Amounts outstanding under our senior revolving credit facility bear interest at specific margins over LIBOR of 1.00% to 2.00% for Eurodollar loans or at specified margins over ABR of 0.00% to 0.75% for ABR loans (effective rate of 4.5% at March 31, 2008). Such margins fluctuate based on utilization of the facility. Amounts drawn on the facility will mature on July 12, 2010.

Certain of the underwriters or their affiliates are lenders under our senior revolving credit facility and, accordingly, may receive a portion of the proceeds of this offering. Please see Underwriting Affiliations.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2008:

on an actual basis;

on an as adjusted basis to give effect to the sale of 25,000,000 shares of our common stock in this offering, assuming no exercise of the underwriters option to purchase additional shares, and application of the estimated net proceeds as described in Use of Proceeds ; and

on an as adjusted basis to reflect both this offering and the concurrent senior notes offering.

You should read the information below in conjunction with Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations, Description of Capital Stock and our consolidated financial statements and related notes included elsewhere or incorporated by reference in this prospectus supplement.

	As of March 31, 2008		
	Actual	As Adjusted for this Offering	As Adjusted for both Offerings(1)
		(In thousands)	
Cash(2)	$ 7,199	$ 104,574	$ 594,024
Long-term debt			
Senior revolving credit facility(2)(3)	$ 535,000	$	$
97/8% senior notes	254	254	254
91/8% $775 million senior notes	763,137	763,137	763,137
71/8% $275 million senior notes	262,458	262,458	262,458
77/8% $500 million senior notes(1)			500,000
Total long-term debt	1,560,849	1,025,849	1,525,849
Stockholders equity			
Common stock	193	218	218
Additional paid-in capital	2,177,929	2,810,279	2,810,279
Retained earnings	81,598	81,598	81,598
Total stockholders equity	2,259,720	2,892,095	2,892,095
Total capitalization	$ 3,820,569	$ 3,917,944	$ 4,417,944

(1) This common stock offering is not conditioned on the completion of the concurrent senior notes offering. There is no assurance that the concurrent senior notes offering will be completed for the anticipated amount, and, subject to market conditions, the size of our concurrent senior notes offering may be increased.

(2) Does not reflect $100 million related to the collection on April 28, 2008 of our note receivable related to the sale of our Gulf Coast properties.

(3) As of May 8, 2008, we had $630 million of borrowings outstanding under our senior revolving credit facility.

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PRICE RANGE OF OUR COMMON STOCK AND DIVIDENDS

The following table sets forth the high and low intra-day sales prices per share of our common stock as reported on the Nasdaq Global Select Market through March 12, 2007, and on the New York Stock Exchange from March 13, 2007, through May 8, 2008.

	Sales Price	
Quarter Ended	**High**	**Low**
June 30, 2008 (through May 8, 2008)	$ 26.81	$ 19.55
March 31, 2008	20.49	14.00
December 31, 2007	19.11	15.55
September 30, 2007	17.07	13.64
June 30, 2007	17.50	12.87
March 31, 2007	13.46	10.23
December 31, 2006	13.08	9.90
September 30, 2006	13.00	9.76
June 30, 2006	14.64	10.01
March 31, 2006	16.25	11.75

On May 8, 2008, the closing sale price of our common stock, as reported by the NYSE, was $26.64 per share. On May 8, 2008, there were approximately 569 record holders of our common stock.

DIVIDEND POLICY

We have never paid cash dividends on our common stock. We intend to retain earnings for use in the operation and expansion of our business and therefore do not anticipate declaring cash dividends on our common stock in the foreseeable future. Any future determination to pay dividends on common stock will be at the discretion of the board of directors and will be dependent upon then existing conditions, including our prospects, and such other factors, as the board of directors deems relevant. We are also restricted from paying cash dividends on common stock under our senior revolving credit facility and our other long-term debt.

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MANAGEMENT

The following table sets forth the names and ages of all of our executive officers, the positions and offices with us held by such persons and the length of their continuous service as an executive officer:

Name	Executive Officer	Age	Position
Floyd C. Wilson	May 2004	61	Chairman of the Board, President and Chief Executive Officer
Mark J. Mize	July 2005	36	Executive Vice President Chief Financial Officer and Treasurer
Larry L. Helm	July 2004	60	Executive Vice President Finance and Administration
Stephen W. Herod	May 2004	49	Executive Vice President Corporate Development and Assistant Secretary
Richard K. Stoneburner	May 2004	54	Executive Vice President Chief Operating Officer
David S. Elkouri	August 2007	54	Executive Vice President General Counsel and Secretary
H. Weldon Holcombe	March 2007	55	Executive Vice President Mid-Continent Region

Our executive officers are appointed to serve until the annual meeting of the board of directors and until their successors have been elected and qualified.

Floyd C. Wilson has served as Chairman of the Board, President and Chief Executive Officer since May 25, 2004. Prior to joining us, Mr. Wilson was President of PHAWK, LLC from its formation in June 2003 until May 2004. Mr. Wilson was the Chairman and Chief Executive Officer of 3TEC Energy Corporation from August 1999 until its merger with Plains Exploration & Production Company in June 2003. Mr. Wilson founded W/E Energy Company L.L.C., formerly known as 3TEC Energy Company L.L.C. in 1998 and served as its President until August 1999. Prior to his involvement with 3TEC, Mr. Wilson founded Hugoton Energy Corporation in 1987, and served as its Chairman, President and Chief Executive Officer. In 1994, Hugoton completed an initial public offering and was merged into Chesapeake Energy Corporation in 1998. Mr. Wilson began his career in the energy business in Houston, Texas in 1970 as a completion engineer. He moved to Wichita, Kansas in 1976 to start an oil and gas operating company, one of several private energy ventures which preceded the formation of Hugoton Energy Corporation.

Mark J. Mize has served as Executive Vice President, Chief Financial Officer and Treasurer since August 1, 2007. He served as Vice President, Chief Accounting Officer and Controller from July 2005 until August 1, 2007. Mr. Mize joined us on November 29, 2004 as Controller. Prior to joining us, he was the Manager of Financial Reporting of Cabot Oil & Gas Corporation, a public oil and gas exploration company, from January 2003 to November 2004. Prior to his employment at Cabot Oil & Gas Corporation, he was an Audit Manager with PricewaterhouseCoopers LLP from 1996 to 2002. He is a Certified Public Accountant.

Larry L. Helm has served as Executive Vice President Finance and Administration since August 1, 2007. Mr. Helm served as Vice President Chief Administrative Officer from July 15, 2004 until August 1, 2005, and as Executive Vice President Chief Administrative Officer from August 1, 2005 until August 2007. Prior to serving as an executive officer, Mr. Helm served on our board of directors for approximately two months. Mr. Helm was employed with Bank One Corporation, a national banking association, from December 1989 until his retirement in January 2004. Most recently Mr. Helm served as Executive Vice President of Middle Market Banking from October 2001 to December 2003. From April 1998 to August 1999, he served as Executive Vice President of the Energy and Utilities Banking Group. Prior to joining Bank One, he worked for 16 years in the banking industry primarily serving the oil and gas sector. He served as director of 3TEC Energy Corporation from 2000 to June 2003.

Stephen W. Herod has served as Executive Vice President Corporate Development since August 1, 2005. Mr. Herod served as Vice President Corporate Development from May 25, 2004 until August 1,

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2005. Additionally, Mr. Herod is our Assistant Secretary. Prior to joining us, he was employed by PHAWK, LLC from its formation in June 2003 until May 2004. He served as Executive Vice President Corporate Development for 3TEC Energy Corporation from December 1999 until its merger with Plains Exploration & Production Company in June 2003 and as Assistant Secretary from May 2001 until June 2003. Mr. Herod served as a director of 3TEC from July 1997 until January 2002. Mr. Herod served as the Treasurer of 3TEC from 1999 until 2001. From July 1997 to December 1999, Mr. Herod was Vice President Corporate Development of 3TEC. Mr. Herod served as President and a director of Shore Oil Company from April 1992 until the merger of Shore with 3TEC s predecessor in June 1997. He joined Shore s predecessor as Controller in February 1991. Mr. Herod was employed by Conquest Exploration Company from 1984 until 1991 in various financial management positions, including Operations Accounting Manager. From 1981 to 1984, Superior Oil Company employed Mr. Herod as a financial analyst.

Richard K. Stoneburner has served as Executive Vice President Chief Operating Officer since September 13, 2007. Mr. Stoneburner previously has served as Executive Vice President Exploration from August 1, 2005, until September 13, 2007. Mr. Stoneburner served as Vice President Exploration from May 25, 2004 until August 1, 2005. Prior to joining us, he was employed by PHAWK, LLC from its formation in June 2003 until May 2004. He joined 3TEC in August 1999 and was its Vice President Exploration from December 1999 until its merger with Plains Exploration & Production Company in June 2003. Mr. Stoneburner was employed by W/ E Energy Company as District Geologist from 1998 to 1999. Prior to joining 3TEC, Mr. Stoneburner worked as a geologist for Texas Oil & Gas, The Reach Group, Weber Energy Corporation, Hugoton and, independently through his own company, Stoneburner Exploration, Inc. Mr. Stoneburner has over 25 years of experience in the energy business.

David S. Elkouri has served as Executive Vice President General Counsel and Secretary of Petrohawk since August 1, 2007. Mr. Elkouri co-founded Hinkle Elkouri Law Firm L.L.C. in 1987 where he served as head of that firm s corporate securities and mergers and acquisitions practice. He has been Petrohawk s principal outside counsel since 2004, until being named as Executive Vice President and General Counsel in August of 2007. Prior to that time he served as primary outside counsel for 3TEC Energy Corporation from 1998-2003 and Hugoton Energy Corporation from 1993-1998.

H. Weldon Holcombe has served as Executive Vice President Mid-Continent Region since October 1, 2007. Mr. Holcombe joined us on July 12, 2006 in conjunction with our merger with KCS Energy, Inc. (KCS). With the merger of KCS and Petrohawk, Mr. Holcombe became responsible for all of the merged company s operations in the Mid-Continent Region including our interests in the Elm Grove and Terryville fields where he continues to oversee the growth and development of these key assets among others throughout the Mid-Continent region. Prior to the merger of KCS and Petrohawk, Mr. Holcombe served as Senior Vice President of KCS responsible for operations and engineering. Prior to joining KCS in 1996 he spent many years with Exxon Company in project and management positions associated with sour gas treatment, drilling, completions and reservoir management.

DESCRIPTION OF COMMON STOCK

Our authorized capital stock consists of 300,000,000 shares of common stock, par value of $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share.

Voting Rights

Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. The vote of the holders of a majority of the stock represented at a meeting at which a quorum is present is generally required to take stockholder action, unless a greater vote is required by law. The holders are not entitled to cumulative voting in the election of directors. Directors are elected by plurality vote. Accordingly, the holder or holders of a majority of the outstanding shares of common stock will be able to elect all of the directors who are up for election at a meeting of stockholders.

Dividends, Distributions and Stock Splits

Holders of common stock are entitled to receive dividends if, as and when such dividends are declared by the board of directors out of assets legally available therefor after payment of dividends required to be paid on shares of preferred stock, if any. Our existing debt arrangements restrict our ability to pay cash dividends.

Liquidation

In the event of any dissolution, liquidation, or winding up of our affairs, whether voluntary or involuntary, after payment of debts and other liabilities and making provision for any holders of its preferred stock who have a liquidation preference, our remaining assets will be distributed ratably among the holders of common stock.

Fully Paid

All shares of common stock outstanding are fully paid and nonassessable.

Other Rights

Holders of common stock have no redemption or conversion rights and no preemptive or other rights to subscribe for our securities.

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MATERIAL UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a summary of the material United States federal income and, to a limited extent, estate tax consequences relating to the purchase, ownership and disposition of our common stock as of the date hereof. Except where noted, this summary deals only with common stock that is held as a capital asset (generally, property held for investment) by a non-U.S. holder (as defined below).

A non-U.S. holder means a beneficial owner of common stock (other than a partnership or entity treated as a partnership for United States federal income tax purposes) that is not for United States federal income tax purposes any of the following:

- an individual citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or who meets the substantial presence test under Section 7701(b) of the Code;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended, or the Code, and Treasury regulations, administrative rulings and judicial decisions, all as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their personal circumstances. In addition, this summary does not address tax considerations applicable to investors that may be subject to special treatment under the United States federal income tax laws such as (without limitation):

- certain United States expatriates;
- stockholders that hold our common stock as part of a straddle, appreciated financial position, synthetic security, hedge, conversion transaction or other integrated investment or risk reduction transaction;
- stockholders who hold our common stock as a result of a constructive sale;
- stockholders who acquired our common stock through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan;
- stockholders that are partnerships or entities treated as partnerships for United States federal income tax purposes or other pass-through entities or owners thereof;
- financial institutions;

- insurance companies;
- tax-exempt entities;
- dealers in securities or foreign currencies; and
- traders in securities that mark-to-market.

Furthermore, this summary does not address any aspect of state, local or foreign tax laws or the alternative minimum tax provisions of the Code.

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If a partnership (including an entity treated as a partnership for United States federal income tax purposes) holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership (including an entity treated as a partnership for United States federal income tax purposes) holding our common stock, you should consult your tax advisor.

We have not sought any ruling from the Internal Revenue Service (the IRS) with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. INVESTORS CONSIDERING THE PURCHASE OF COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME AND ESTATE TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Dividends

We do not presently expect to declare or pay any dividends on our common stock in the foreseeable future. However, if we do make distributions on our common stock, such distributions will constitute dividends for United States federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of earnings and profits will constitute a return of capital that is applied against and reduces the non-U.S. holder s adjusted tax basis in our common stock. Any remaining excess will be treated as gain realized on the sale or other disposition of our common stock and will be treated as described under Gain on Disposition of Common Stock below. Any dividend paid to a non-U.S. holder of our common stock ordinarily will be subject to withholding of United States federal income tax at a rate of 30%, or such lower rate as may be specified under an applicable income tax treaty. In order to receive a reduced treaty rate, a non-U.S. holder must provide us with IRS Form W-8BEN (or applicable substitute or successor form) properly certifying eligibility for the reduced rate.

Dividends paid to a non-U.S. holder that are effectively connected with the conduct of a trade or business by the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, are attributable to a United States permanent establishment of the non-U.S. holder) generally will be exempt from the withholding tax described above and instead will be subject to United States federal income tax on a net income basis at the regular graduated United States federal income tax rates in the same manner as if the non-U.S. holder were a United States person as defined under the Code. In such cases, we will not have to withhold United States federal income tax if the non-U.S. holder complies with applicable certification and disclosure requirements. In order to obtain this exemption from withholding tax, a non-U.S. holder must provide us with an IRS Form W-8ECI (or applicable substitute or successor form) properly certifying eligibility for such exemption. Any such effectively connected dividends received by a foreign corporation may be subject to an additional branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable tax treaty.

Gain on Disposition of Common Stock

Any gain realized on the disposition of our common stock by a non-U.S. holder generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with the conduct of a trade or business by the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-U.S. holder);

the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

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we are or have been a United States real property holding corporation, or USRPHC, for United States federal income tax purposes.

An individual non-U.S. holder who has gain that is described in the first bullet point immediately above will be subject to tax on the net gain derived from the disposition under regular graduated United States federal income tax rates. If a non-U.S. holder that is a foreign corporation has gain described under the first bullet point immediately above, it generally will be subject to tax on its net gain in the same manner as if it were a United States person as defined under the Code, and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

An individual non-U.S. holder who meets the requirements described in the second bullet point immediately above will be subject to a flat 30% tax on the gain derived from the disposition, which may be offset by United States source capital losses, even though the individual is not considered a resident of the United States.

With respect to our status as a USRPHC, we believe that we currently are, and expect to remain for the foreseeable future, a USRPHC for United States federal income tax purposes. However, so long as our common stock continues to be regularly traded on an established securities market, a non-U.S. holder will be taxable on gain recognized on the disposition of our common stock only if the non-U.S. holder actually or constructively holds or held more than 5% of such common stock at any time during the five-year period ending on the date of disposition or, if shorter, the non-U.S. holder s holding period for our common stock. If our common stock were not considered to be regularly traded on an established securities market, all non-U.S. holders would be subject to United States federal income tax on a disposition of our common stock.

Non-U.S. holders should consult their own tax advisors with respect to the application of the foregoing rules to their ownership and disposition of our common stock.

Federal Estate Tax

If you are an individual, common stock owned or treated as being owned by you at the time of your death will be included in your gross estate for United States federal estate tax purposes and may be subject to United States federal estate tax, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will be subject to backup withholding for dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder s United States federal income tax liability provided the required information is furnished to the IRS.

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CERTAIN ERISA CONSIDERATIONS

The common stock may be purchased and held by an employee benefit plan or an individual retirement account or other plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), Section 4975 of the Code and other similar laws. A fiduciary of an employee benefit plan subject to ERISA, Section 4975 of the Code and/or such other laws must determine that the purchase and holding of the common stock is consistent with its fiduciary duties. The fiduciary of an ERISA plan, as well as any other prospective investor subject to Section 4975 of the Code or any similar law, must also determine that its purchase and holding of the common stock does not result in a non-exempt prohibited transaction as defined in Section 406 of ERISA or Section 4975 of the Code or similar law. Each purchaser and transferee of the common stock who is subject to ERISA and/or Section 4975 of the Code or a similar law will be deemed to have represented by its acquisition and holding of the common stock that such acquisition and holding does not constitute or give rise to a non-exempt prohibited transaction under ERISA, Section 4975 of the Code or any similar law.

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UNDERWRITING

Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as the representatives of the underwriters and joint book-running managers of this offering. Under the terms and subject to the conditions contained in an underwriting agreement dated May 8, 2008, each of the underwriters named below has severally agreed to purchase from us the respective number of shares of common stock shown opposite its name below:

Underwriters	Number of Shares
Lehman Brothers Inc.	8,250,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	7,500,000
J.P. Morgan Securities Inc.	4,250,000
BMO Capital Markets Corp.	1,500,000
RBC Capital Markets Corporation	1,500,000
Jefferies & Company, Inc.	1,250,000
UBS Securities LLC	750,000
Total	25,000,000

The underwriting agreement provides that the underwriters obligation to purchase shares of common stock depends on the satisfaction of the conditions contained in the underwriting agreement including:

the obligation to purchase all of the shares of common stock offered hereby (other than those shares of common stock covered by their option to purchase additional shares as described below), if any of the shares are purchased;

the representations and warranties made by us to the underwriters are true;

there is no material change in our business or in the financial markets; and

we deliver customary closing documents to the underwriters.

Commission and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us for the shares.

	No Exercise	Full Exercise
Per Share	$ 1.055	$ 1.055

Total	$ 26,375,000	$ 30,331,250

The representatives of the underwriters have advised us that the underwriters propose to offer the shares of common stock directly to the public at the public offering price on the cover of this prospectus supplement and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of $0.6300 per share. After the offering, the representatives may change the offering price and other selling terms.

The expenses of the offering that are payable by us are estimated to be $1 million (excluding underwriting discounts and commissions).

Option to Purchase Additional Shares

We have granted the underwriters an option exercisable for 30 days after the date of the underwriting agreement to purchase, from time to time, in whole or in part, up to an aggregate of 3,750,000 shares at the public offering price less underwriting discounts and commissions. This option may be exercised if the

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underwriters sell more than 25,000,000 shares in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional shares based on the underwriter s percentage underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting section.

Lock-Up Agreements

We and our directors and executive officers have agreed, subject to certain limitations and except with respect to certain permitted transfers, that, without the prior written consent of the representatives, we and they will not directly or indirectly (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of common stock (including, without limitation, shares of common stock that may be deemed to be beneficially owned by us or them in accordance with the rules and regulations of the Securities and Exchange Commission and shares of common stock that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for common stock, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of the shares of common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or other securities, in cash or otherwise, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any shares of common stock or securities convertible, exercisable or exchangeable into common stock or any of our other securities, or (4) publicly disclose the intention to do any of the foregoing for a period of 90 days after the date of this prospectus supplement.

The representatives, in their discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. When determining whether or not to release common stock and other securities from lock-up agreements, the representatives will consider, among other factors, the holder s reasons for requesting the release, the number of shares of common stock and other securities for which the release is being requested and market conditions at the time.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The representatives may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Securities Exchange Act of 1934:

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

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Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Listing

Our shares of common stock are listed on the New York Stock Exchange under the symbol HK.

Affiliations

The underwriters have from time to time provided, and in the future may provide, certain investment banking and financial advisory services to us and our affiliates, for which they have received, and in the future would receive, customary fees. In addition, affiliates of each of RBC Capital Markets Corporation, BMO Capital Markets Corp. and J.P. Morgan Securities Inc. are lenders under our senior revolving credit facility and accordingly, may receive a portion of the proceeds of this offering. Please see Use of Proceeds.

Certain of the underwriters are also acting as initial purchasers in the concurrent senior notes offering, and they will receive customary discounts upon the closing of that offering.

Electronic Distribution

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representative on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter s or selling group member s web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus supplement and the accompanying prospectus form a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

Stamp Taxes

If you purchase shares of common stock offered in this prospectus supplement and the accompanying prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus supplement and the accompanying prospectus.

United Kingdom

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (e) of the Order (all such persons together being referred to as relevant persons). The shares of common stock are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such common stock will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Each of the underwriters has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 or FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to us, and

(b) it has complied with, and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

European Economic Area

To the extent that the offer of the common stock is made in any Member State of the European Economic Area that has implemented the Prospectus Directive before the date of publication of a prospectus in relation to the common stock which has been approved by the competent authority in the Member State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in the Member State in accordance with the Prospectus Directive), the offer (including any offer pursuant to this prospectus supplement) is only addressed to qualified investors in that Member State within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require us to publish a prospectus pursuant to the Prospectus Directive.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) each underwriter represents and warrants that it has not made and will not make an offer to the public of any shares which are the subject of the offering contemplated by this prospectus supplement (the Shares) in that Relevant Member State other than the offers contemplated in the prospectus supplement once the prospectus supplement has been approved by the competent authority in that Relevant Member State and published in accordance with the Prospectus Directive as implemented in that Relevant Member State, except that it may make an offer to the public in that Relevant Member State of any Shares at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by the company or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

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For the purposes of this provision, the expression an offer to the public in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Hong Kong

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The securities have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and the underwriters have agreed that they will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

LEGAL MATTERS

The validity of the issuance of the common stock covered by this prospectus supplement will be passed upon for us by Thompson & Knight LLP, counsel for the Company. Vinson & Elkins L.L.P. has represented the underwriters in connection with this offering.

EXPERTS

The financial statements incorporated by reference into this prospectus supplement from our annual report on Form 10-K for the year ended December 31, 2007 and the effectiveness of internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The estimated reserve evaluations and related calculations of Netherland, Sewell & Associates, Inc., an independent reserve engineering firm, included or incorporated by reference in this prospectus supplement have been included or incorporated by reference in reliance on the authority of that firm as experts in reserve engineering.

AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can read and copy these materials at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information about the operation of the SEC s public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains information we have filed electronically with the SEC, which you can access over the Internet at *http://www.sec.gov*. Our common stock is listed on the NYSE under the symbol HK, and reports, proxy statements and other information also can be inspected at the offices of the NYSE located at 20 Broad Street, New York, New York 10005.

Our internet address is *http://www.petrohawk.com*. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings with the SEC are available, free of charge, through our website, as soon as reasonably practicable after those reports or filings are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference in this prospectus supplement or the accompanying prospectus and does not constitute a part of this prospectus supplement or the accompanying prospectus.

We have filed a registration statement with the SEC to register the securities offered by this prospectus supplement. As permitted by SEC rules, this prospectus supplement and the accompanying prospectus do not contain all of the information we have included in the registration statement and the accompanying exhibits and schedules we file with the SEC. You may refer to the registration statement, exhibits and schedules for more information about us and the securities. The registration statement, exhibits and schedules are available at the SEC s public reference room or through its Internet website.

The SEC allows us to incorporate by reference the information we have filed with it, which means that we can disclose important information to you by referring you to those documents. The information we incorporate by reference is an important part of this prospectus supplement or the accompanying prospectus, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the

Securities Exchange Act of 1934, as amended (excluding any information furnished pursuant to Item 2.02 and Item 7.01 on any Current Report on Form 8-K), after the date of this prospectus supplement and prior to the termination of this offering. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated or deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. The following documents we filed with the SEC pursuant to the Exchange Act are incorporated herein by reference (excluding any information furnished to the SEC pursuant to Item 2.02 or Item 7.01 or any current report on Form 8-K):

our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed on February 27, 2008 (Commission File No. 001-33334);

our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2008, filed on May 6, 2008, (Commission File No. 001-33334);

our Current Reports on Form 8-K filed on January 25, 2008, February 1, 2008, February 7, 2008, March 3, 2008, May 6, 2008 and May 8, 2008 (Commission File No. 001-33334);

Audited Consolidated Financial Statements of KCS Energy, Inc. and subsidiaries (KCS) as of December 31, 2005 and for the year ended December 31, 2005, previously reported in KCS s Annual Report on Form 10-K, as amended, for the year ended December 31, 2005, (Commission File No. 001-13781), which was filed with the SEC on March 16, 2006 and amended on April 28, 2006;

Unaudited Interim Consolidated Financial Statements of KCS for the three months ended March 31, 2006 and 2005, previously reported in KCS Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, (Commission File No. 001-13781), which was filed with the SEC on May 10, 2006; and

the description of our common stock set forth in our registration statements filed pursuant to Section 12 of the Exchange Act, including any amendment or report filed for the purpose of updating such description (Commission File No. 001-33334).

We will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus supplement is delivered, upon the written or oral request of such person, a copy of any or all of the information incorporated by reference in this prospectus supplement, other than exhibits to such information (unless such exhibits are specifically incorporated by reference into the information that this prospectus supplement incorporates). Requests for such copies should be directed to:

Petrohawk Energy Corporation
Attn: Investor Relations
1000 Louisiana, Suite 5600
Houston, Texas 77002
Phone (832) 204-2700
investors@petrohawk.com

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PROSPECTUS

Common Stock
Preferred Stock
Warrants

Petrohawk Energy Corporation may offer, from time to time:

- common stock
- preferred stock
- warrants, or
- a combination thereof.

In addition, selling stockholders to be named in a prospectus supplement may offer, from time to time, shares of our common stock. We will provide the specific terms of any offering and the offered securities in supplements to this prospectus. Any prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and the accompanying prospectus supplement carefully before you make your investment decision.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement which will describe the method and terms of the offering.

Our common stock is quoted on The NASDAQ Global Select Market under the symbol HAWK . None of the other securities offered by this prospectus are currently publicly traded.

We may sell the securities to or through underwriters, to other purchasers, through agents, or through a combination of these methods. The names of any underwriters will be stated in the applicable prospectus supplement.

Investing in our securities involves risks. Please read carefully the information under the headings Risk Factors beginning on page 4 and Cautionary Statement Regarding Forward-Looking Statements on page ii of this prospectus before you invest in our securities. This information may also be included in any supplement and/or may be incorporated by reference into this prospectus.

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 September 15, 2006.

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. You should read the entire prospectus and any prospectus supplement, as well as the documents incorporated by reference into this prospectus or any accompanying prospectus supplement, before making an investment decision. We do not imply or represent by delivering this prospectus that Petrohawk Energy Corporation, or its business, is unchanged after the date on the front of this prospectus or that the information in this prospectus is correct as of any time after such date.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission (SEC) utilizing a shelf registration process or continuous registration process. Using this process, we may, from time to time, offer any combination of securities described in this prospectus in one or more offerings and selling stockholders to be named in a prospectus supplement may, from time to time, sell common stock in one or more offerings. This prospectus provides you with a general description of the securities that may be offered. Each time securities are sold, we will provide a prospectus supplement that will contain specific information about the terms of that particular offering. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and any applicable prospectus supplement together with additional information described under the heading Where You Can Find More Information starting on page 18 of this prospectus.

When used in this prospectus and any prospectus supplement, the terms Petrohawk, we, our, us and the Company refer to Petrohawk Energy Corporation and its subsidiaries.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information discussed in this prospectus, our filings with the SEC and our public releases include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, referred to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act. All statements, other than statements of historical facts, included herein concerning, among other things, planned capital expenditures, increases in oil and gas production, the number of anticipated wells to be drilled after the date hereof, future cash flows and borrowings, pursuit of potential acquisition opportunities, our financial position, business strategy and other plans and objectives for future operations, are forward-looking statements. These forward-looking statements are identified by their use of terms and phrases such as may, expect, estimate, project, plan, believe achievable, anticipate and similar terms and phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, among others:

- the possibility that problems may arise in successfully integrating the businesses of Petrohawk and KCS Energy, Inc. (KCS), due to the merger of KCS with and into Petrohawk;
- the possibility that the combined company may be unable to achieve cost-cutting synergies;
- the possibility that the industry may be subject to future regulatory or legislative actions (including any additional taxes);
- the volatility in commodity prices for oil and natural gas and in the supply of and demand for oil and natural gas;
- the presence or recoverability of estimated oil and natural gas reserves and the actual future production rates and associated costs;
- the ability to replace oil and natural gas reserves;
- environmental risks;
- drilling and operating risks;
- exploration and development risks;
- competition;
- the ability of the Company s management to execute its plans to meet its goals;
- the ability of the Company to retain key members of its senior management and key employees;
- general economic conditions, whether internationally, nationally or in the regional and local market areas in which Petrohawk is doing business, may be less favorable than expected;

continued hostilities in the Middle East and other sustained military campaigns or acts of terrorism or sabotage; and

other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors may negatively impact our businesses, operations or pricing.

Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in our other filings with the SEC that are incorporated by reference herein and in the section entitled Risk Factors included elsewhere in this prospectus. For additional information regarding risks and uncertainties, please read our other filings with the SEC under the Exchange Act and the Securities Act, including our annual report on Form 10-K, as amended, for the fiscal year ended December 31, 2005 and our quarterly reports on Form 10-Q for the fiscal quarters ended March 31, 2006 and June 30, 2006. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this prospectus and in the documents incorporated by reference. Other than as required under the securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

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The following highlights information about us and our business contained elsewhere or incorporated by reference in this prospectus. It is not complete and does not contain all of the information that you should consider before investing in our securities. To fully understand our business you should carefully read this prospectus together with the more detailed information incorporated by reference in this prospectus.

THE COMPANY

We are an independent oil and gas company engaged in the acquisition, development, production and exploration of oil and gas properties located in North America. Our properties are concentrated in the East Texas/North Louisiana, Gulf Coast, Permian Basin, and Anadarko/Arkoma regions. We focus on maintaining a balanced, geographically diverse portfolio of long-lived, lower risk reserves along with shorter lived, higher margin reserves. We believe that this balanced reserve mix provides a diversified cash flow foundation to fund our development and exploration drilling program.

As of December 31, 2005, pro forma for our recent merger with KCS Energy, Inc., hereinafter KCS, described below, our estimated proved reserves were approximately 980 Bcfe, of which 77% were natural gas, 68% were proved developed and 74% were operated. In the first six months of 2006, we produced approximately 24.0 Bcfe.

Corporate Information

Petrohawk is a Delaware corporation originally organized in Nevada in June 1997 as Beta Oil & Gas, Inc. and reincorporated in Delaware during 2004. Our principal offices are located at 1100 Louisiana Street, Suite 4400, Houston, Texas 77002, telephone number (832) 204-2700, fax number (832) 204-2800, and our website can be found at *www.petrohawk.com.* Unless specifically incorporated by reference in this prospectus, information that you may find on our website is not part of this prospectus.

Recent Developments

We have recently completed several transactions:

Merger with KCS Energy, Inc.

On July 12, 2006, we completed the merger of KCS with and into us. In the merger, we issued approximately 83.8 million shares of our common stock and paid approximately $450.3 million cash as consideration to the former stockholders of KCS. In connection with the merger, we assumed or refinanced all outstanding debt of KCS, including $275.0 million in principal amount of 71/8% senior notes due 2012, hereinafter referred to as the 2012 Notes. Pro forma for the Terryville Acquisition (as described below), as of December 31, 2005, KCS estimated proved reserves were approximately 463 Bcfe, of which approximately 88% was natural gas and approximately 73% was classified as proved developed.

Terryville Acquisition

On April 19, 2006, KCS completed an acquisition of oil and gas properties located in the Terryville field in North Louisiana for $26.2 million, hereinafter referred to as the Terryville Acquisition. The Terryville Acquisition included approximately 10,300 acres located in Lincoln Parish, Louisiana, and proved reserves internally estimated at approximately 11.2 Bcfe.

Issuance of Senior Notes Due 2013

On July 12, 2006, in connection with the merger with KCS and pursuant to a purchase agreement dated June 23, 2006, among us and certain financial institutions, as initial purchasers, we issued and sold under an indenture an aggregate principal amount of $650.0 million of 91/8% senior notes due 2013, hereinafter referred to as the 2013 Notes, in accordance with a private placement conducted pursuant to Rule 144A under the

Securities Act. The initial purchasers purchased the 2013 Notes at a purchase price of 97.617% of the aggregate principal amount of the 2013 Notes. The 2013 Notes are guaranteed by certain of our subsidiaries.

On July 24, 2006, we issued an additional $125.0 million of our 2013 Notes, hereinafter referred to as the additional notes. The additional notes were issued at 101.125% of the face amount for gross proceeds of approximately $140.6 million, before estimated offering expenses and the initial purchasers discount. The additional notes were issued as additional debt securities under the indenture pursuant to which we had previously issued $650 million in aggregate principal amount of our 91/8% senior notes due 2013. The 2013 Notes and the additional notes constitute a single class of securities under the indenture pursuant to which they were issued.

On September 1, 2006, we filed a registration statement on Form S-4 in connection with the exchange of the 2013 Notes for similar notes registered under the Securities Act.

Tender Offer for Outstanding 97/8% Senior Notes due 2011

On July 12, 2006, we accepted for purchase $124.2 million principal amount of our 97/8% senior notes due 2011, hereinafter referred to as the 2011 Notes, for aggregate cash consideration of $139.1 million, which we (as successor by way of merger to Mission Resources Corporation on July 28, 2005) issued in April 2004. Following acceptance, we, the parties named therein as subsidiary guarantors, and The Bank of New York Trust Company, NA., as trustee, entered into a supplemental indenture that supplements and amends the indenture that governs the terms of the 2011 Notes, to eliminate substantially all of the restrictive covenants contained in the indenture and the 2011 Notes, eliminate certain events of default, and modify certain other covenants and provisions contained in the indenture and the 2011 Notes. As of September 13, 2006, a total of $254,000 principal amount of 2011 Notes remains outstanding.

Amendment to Revolving Credit Facility

On July 12, 2006, we entered into a Second Amended and Restated Senior Revolving Credit Agreement, hereinafter referred to as the revolving credit facility, which amended and restated our $600.0 million amended and restated senior revolving credit agreement dated July 28, 2005. The revolving credit facility provides for a $1 billion facility with an initial borrowing base of $700.0 million that will be redetermined on a semi-annual basis, with us and the lenders each having the right to one annual interim unscheduled redetermination, and adjusted based on our oil and gas properties, reserves, other indebtedness, and other relevant factors. Amounts outstanding under the revolving credit facility bear interest at specified margins over the London Interbank Offered Rate (LIBOR) of 1.00% to 1.75% for Eurodollar loans or at specified margins over the Alternate Base Rate (ABR) of 0.00% to 0.50% for ABR loans. Such margins will fluctuate based on the utilization of the facility. Borrowings under the revolving credit facility will be secured by first priority liens on substantially all of our assets, including pursuant to the terms of the Second Amended and Restated Guarantee and Collateral Agreement, all of the assets of, and equity interest in, our subsidiaries. Amounts drawn on the revolving credit facility will mature on July 12, 2010.

The revolving credit facility contains customary financial and other covenants, including minimum working capital levels, minimum coverage of interest expenses, and a maximum leverage ratio. In addition, we are subject to covenants limiting dividends and other restricted payments, transactions with affiliates, incurrence of debt, changes of control, asset sales, and liens on properties.

Gulf of Mexico Divestiture

On March 21, 2006, we sold substantially all of our Gulf of Mexico properties for $52.5 million in cash. These properties had estimated proved reserves as of December 31, 2005 of approximately 25 Bcfe, were approximately 70% gas, 59% proved developed and 27% operated. Production at closing was estimated to be approximately

10 MMcfe per day.

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The North Louisiana Acquisitions

On January 27, 2006, we completed the acquisition of all of the issued and outstanding common stock of Winwell Resources, Inc., hereinafter referred to as Winwell. The aggregate consideration paid was approximately $208 million in cash after certain closing adjustments. Also on January 27, 2006, we completed an acquisition of assets from Redley Company, hereinafter referred to as Redley. The aggregate consideration paid was approximately $86 million in cash after certain closing adjustments. Through the Winwell and Redley transactions (collectively, hereinafter referred to as the North Louisiana Acquisitions), we acquired oil and gas properties in the Elm Grove and Caspiana fields in North Louisiana. These properties have internally estimated proved reserves as of December 31, 2005 of approximately 106 Bcfe, are approximately 98% gas, 29% proved developed and 80% operated.

Mission Resources Corporation Acquisition

We acquired Mission Resources Corporation, hereinafter referred to as Mission, by merger on July 28, 2005. We issued approximately 19.6 million shares of common stock and paid approximately $139.5 million in cash to the former stockholders of Mission. In addition, all outstanding options to purchase Mission common stock were converted into options to purchase our common stock using an exchange ratio of 0.7641 shares of Petrohawk common stock per share of Mission common stock underlying each option. We also assumed Mission s long-term debt of approximately $184 million, including the 2011 Notes. At December 31, 2004, Mission s estimated net proved reserves were approximately 226 Bcfe.

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RISK FACTORS

In addition to the other information set forth elsewhere or incorporated by reference in this prospectus, the following risks relating to us and our securities should be considered carefully before making an investment decision. The following should be read in conjunction with our risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2005, as amended, which are specifically incorporated by reference in this prospectus and which are modified to the extent so modified below, and any risks that may be described in other filings that we make with the SEC or in the prospectus supplements relating to specific offerings of securities.

Risk Factors Relating to Our Business

Oil and natural gas prices are volatile, and low prices could have a material adverse impact on our business.

Our revenues, profitability and future growth and the carrying value of our properties depend substantially on prevailing oil and natural gas prices. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow and raise additional capital. The amount we will be able to borrow under our revolving credit facility will be subject to periodic redetermination based in part on changing expectations of future prices. Lower prices may also reduce the amount of oil and natural gas that we can economically produce and have an adverse effect on the value of our properties.

Historically, the markets for oil and natural gas have been volatile, and they are likely to continue to be volatile in the future. Among the factors that can cause volatility are:

- the domestic and foreign supply of oil and natural gas;
- the ability of members of the Organization of Petroleum Exporting Countries (OPEC) and other producing countries to agree upon and maintain oil prices and production levels;
- political instability, armed conflict or terrorist attacks, whether or not in oil or natural gas producing regions;
- the level of consumer product demand;
- the growth of consumer product demand in emerging markets, such as China;
- labor unrest in oil and natural gas producing regions;
- weather conditions, including hurricanes;
- the price and availability of alternative fuels;
- the price of foreign imports;
- worldwide economic conditions; and
- the availability of liquid natural gas imports.

These external factors and the volatile nature of the energy markets make it difficult to estimate future prices of oil and natural gas. The spot prices for crude oil and natural gas at the close of business on December 31, 2005 were $57.75 per Bbl and $10.075 per MMBtu and on September 13, 2006 were $64.32 per Bbl and $5.42 per MMBtu.

Unless we replace our reserves, our reserves and production will decline, which would adversely affect our financial condition, results of operations and cash flows.

In general, the volume of production from oil and natural gas properties declines as reserves are depleted. Our reserves will decline as they are produced unless we acquire properties with proved reserves or conduct successful development and exploration activities. Thus, our future oil and natural gas production and, therefore, our cash flow and income are highly dependent upon our level of success in finding or acquiring additional reserves. However, we cannot assure you that our future acquisition, development and exploration activities will result in any specific amount of additional proved reserves or that we will be able to drill productive wells at acceptable costs.

The successful acquisition of producing properties requires an assessment of a number of factors. These factors include recoverable reserves, future oil and natural gas prices, operating costs and potential environmental and other liabilities, title issues and other factors. Such assessments are inexact and their accuracy is inherently uncertain. In connection with such assessments, we perform a review of the subject properties that we believe is thorough. However, there is no assurance that such a review will reveal all existing or potential problems or allow us to fully assess the deficiencies and capabilities of such properties. We cannot assure you that we will be able to acquire properties at acceptable prices because the competition for producing oil and natural gas properties is particularly intense at this time and many of our competitors have financial and other resources which are substantially greater than those available to us.

Our bank lenders can limit our borrowing capabilities, which may materially impact our operations.

As of June 30, 2006, on a pro forma basis, after giving effect to our issuance of the 2013 Notes and the application of the net proceeds to fund a portion of our payment of cash to KCS stockholders, our repayment of KCS debt and transaction expenses incurred in connection with our merger with KCS, our repurchase of our 2011 Notes and repayment in full of our second lien term facility, our revolving credit facility balance was $325.5 million, and we have $374.5 million of additional available borrowing capacity under our $1 billion revolving credit facility, assuming a borrowing base of $700 million. The borrowing base limitation under our revolving credit facility is semi-annually redetermined. Redeterminations are based upon a number of factors, including commodity prices and reserve levels. The next redetermination date is expected to occur in the fourth quarter of 2006. Upon a redetermination, our borrowing base could be substantially reduced. We intend to finance our development, acquisition and exploration activities with cash flow from operations, bank borrowings and other financing activities. A reduction in our borrowing base could limit our activity in this regard. In addition, we may significantly alter our capitalization in order to make future acquisitions or develop our properties. These changes in capitalization may significantly increase our level of debt. If we incur additional debt for these or other purposes, the related risks that we now face could intensify. A higher level of debt also increases the risk that we may default on our debt obligations. Our ability to meet our debt obligations and to reduce our level of debt depends on our future performance which is affected by general economic conditions and financial, business and other factors. Many of these factors are beyond our control. Our level of debt affects our operations in several important ways, including the following:

- a portion of our cash flow from operations is used to pay interest on borrowings;

- the covenants contained in the agreements governing our debt limit our ability to borrow additional funds, pay dividends, dispose of assets or issue shares of preferred stock and otherwise may affect our flexibility in planning for, and reacting to, changes in business conditions;

- a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes;

- a leveraged financial position would make us more vulnerable to economic downturns and could limit our ability to withstand competitive pressures; and

- any debt that we incur under our revolving credit facility will be at variable rates which makes us vulnerable to increases in interest rates.

Our ability to finance our business activities will require us to generate substantial cash flow.

Our business activities require substantial capital. We have budgeted 2006 drilling expenditures of approximately $600 million pro forma for the combined companies for the entire year. We intend to finance our capital expenditures in the future primarily from cash flow from operations. We cannot be sure that our

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business will continue to generate cash flow at or above current levels. Future cash flows and the availability of financing will be subject to a number of variables, such as:

- the level of production from existing wells;
- prices of oil and natural gas;
- our results in locating and producing new reserves;
- the success and timing of development of proved undeveloped reserves; and
- general economic, financial, competitive, legislative, regulatory and other factors beyond our control.

If we are unable to generate sufficient cash flow from operations to service our debt, we may have to obtain additional financing through the issuance of debt and/or equity. We cannot be sure that any additional financing will be available to us on acceptable terms. The level of our debt financing could also materially affect our operations.

If our revenues were to decrease due to lower oil and natural gas prices, decreased production or other reasons, and if we could not obtain capital through our revolving credit facility or otherwise, our ability to execute our development and acquisition plans, replace our reserves or maintain production levels could be greatly limited.

Drilling wells is speculative, often involves significant costs and may not result in additions to our production or reserves.

Developing and exploring for oil and natural gas reserves involves a high degree of operating and financial risk. The actual costs of drilling, completing and operating wells often exceed our budget for such costs and can increase significantly when drilling costs rise due to a tightening in the supply of various types of oilfield equipment and related services. Drilling may be unsuccessful for many reasons, including title problems, cost overruns, equipment shortages, mechanical difficulties, and faulty assumptions about geological features. Moreover, the drilling of a productive oil or natural gas well does not ensure a profitable investment. Exploratory wells bear a much greater risk of loss than development wells. A variety of factors, including geological and market-related, can cause a well to become uneconomical or only marginally economic. In addition to their cost, unsuccessful wells can hurt our efforts to replace reserves.

Estimates of oil and gas reserves are uncertain and any material inaccuracies in these reserve estimates will materially affect the quantities and the value of our reserves.

This prospectus and the information incorporated by reference contain estimates of our proved oil and natural gas reserves. These estimates are based upon various assumptions, including assumptions required by the SEC relating to oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The process of estimating oil and natural gas reserves is complex. This process requires significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. Therefore, these estimates are inherently imprecise.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will vary from those estimated. Any significant variance could materially affect the estimated quantities and the value of our reserves. Our properties may also be susceptible to hydrocarbon drainage from production by other operators on adjacent properties. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development, prevailing oil and natural gas prices and other factors, many of which are beyond our control.

At December 31, 2005, approximately 32% of our estimated pro forma proved reserves were undeveloped. Estimates of undeveloped reserves are less certain than estimates of developed reserves. Recovery of undeveloped reserves requires significant capital expenditures and successful drilling operations. The reserve data assumes that we will make significant capital expenditures to develop our reserves. Although we have prepared estimates of these oil and natural gas reserves and the costs associated with development of these reserves in accordance with SEC regulations, we cannot assure you that the estimated costs or estimated reserves are accurate, that development will occur as scheduled or that the actual results will be as estimated.

We depend substantially on the continued presence of key personnel for critical management decisions and industry contacts.

Our success depends upon the continued contributions of our executive officers and key employees, particularly with respect to providing the critical management decisions and contacts necessary to manage and maintain growth within a highly competitive industry. Competition for qualified personnel can be intense, particularly in the oil and natural gas industry, and there are a limited number of people with the requisite knowledge and experience. Under these conditions, we could be unable to attract and retain these personnel. The loss of the services of any of our executive officers or other key employees for any reason could have a material adverse effect on our business, operating results, financial condition and cash flows.

Our business is highly competitive.

The oil and natural gas industry is highly competitive in many respects, including identification of attractive oil and natural gas properties for acquisition, drilling and development, securing financing for such activities and obtaining the necessary equipment and personnel to conduct such operations and activities. In seeking suitable opportunities, we compete with a number of other companies, including large oil and natural gas companies and other independent operators with greater financial resources, larger numbers of personnel and facilities, and, in some cases, with more expertise. There can be no assurance that we will be able to compete effectively with these entities.

Hedging transactions may limit our potential gains and increase our potential losses.

In order to manage our exposure to price risks in the marketing of our oil and natural gas production, we have entered into oil and natural gas price hedging arrangements with respect to a portion of our expected production. We will most likely enter into additional hedging transactions in the future. While intended to reduce the effects of volatile oil and natural gas prices, such transactions may limit our potential gains and increase our potential losses if oil and natural gas prices were to rise substantially over the price established by the hedge. In addition, such transactions may expose us to the risk of loss in certain circumstances, including instances in which:

- our production is less than expected;
- there is a widening of price differentials between delivery points for our production and the delivery point assumed in the hedge arrangement; or
- the counterparties to our hedging agreements fail to perform under the contracts.

Our oil and natural gas activities are subject to various risks which are beyond our control.

Our operations are subject to many risks and hazards incident to exploring and drilling for, producing, transporting, marketing and selling oil and natural gas. Although we may take precautionary measures, many of these risks and hazards are beyond our control and unavoidable under the circumstances. Many of these risks or hazards could materially and adversely affect our revenues and expenses, the ability of certain of our wells to produce oil and natural gas in commercial quantities, the rate of production and the economics of the development of, and our investment in the prospects in which we have or will acquire an interest. Any of these risks and hazards could materially and adversely affect our financial condition, results of operations and cash flows. Such risks and hazards include:

human error, accidents, labor force and other factors beyond our control that may cause personal injuries or death to persons and destruction or damage to equipment and facilities;

blowouts, fires, hurricanes, pollution and equipment failures that may result in damage to or destruction of wells, producing formations, production facilities and equipment;

unavailability of materials and equipment;

engineering and construction delays;

unanticipated transportation costs and delays;

unfavorable weather conditions;

hazards resulting from unusual or unexpected geological or environmental conditions;

environmental regulations and requirements;

accidental leakage of toxic or hazardous materials, such as petroleum liquids or drilling fluids, into the environment;

changes in laws and regulations, including laws and regulations applicable to oil and natural gas activities or markets for the oil and natural gas produced;

fluctuations in supply and demand for oil and natural gas causing variations of the prices we receive for our oil and natural gas production; and

the internal and political decisions of OPEC and oil and natural gas producing nations and their impact upon oil and natural gas prices.

As a result of these risks, expenditures, quantities and rates of production, revenues and cash operating costs may he materially adversely affected and may differ materially from those anticipated by us.

Governmental and environmental regulations could adversely affect our business.

Our business is subject to federal, state and local laws and regulations on taxation, the exploration for and development, production and marketing of oil and natural gas and safety matters. Many laws and regulations require drilling permits and govern the spacing of wells, rates of production, prevention of waste, unitization and pooling of properties and other matters. These laws and regulations have increased the costs of planning, designing, drilling, installing, operating and abandoning our oil and natural gas wells and other facilities. In addition, these laws and regulations, and any others that are passed by the jurisdictions where we have production, could limit the total number of wells drilled or the allowable production from successful wells, which could limit our revenues.

Our operations are also subject to complex environmental laws and regulations adopted by the various jurisdictions in which we have or expect to have oil and natural gas operations. We could incur liability to governments or third parties for any unlawful discharge of oil, natural gas or other pollutants into the air, soil or water, including responsibility for remedial costs. We could potentially discharge these materials into the environment in any of the following ways:

from a well or drilling equipment at a drill site;

from gathering systems, pipelines, transportation facilities and storage tanks;

damage to oil and natural gas wells resulting from accidents during normal operations; and

blowouts, hurricanes, cratering and explosions.

Because the requirements imposed by laws and regulations are frequently changed, we cannot assure you that laws and regulations enacted in the future, including changes to existing laws and regulations, will not adversely affect our business. In addition, because we acquire interests in properties that have been operated in the past by others, we may be liable for environmental damage caused by the former operators.

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We cannot be certain that the insurance coverage maintained by us will be adequate to cover all losses which may be sustained in connection with all oil and natural gas activities.

We maintain general and excess liability policies, which we consider to be reasonable and consistent with industry standards. These policies generally cover:

- personal injury;
- bodily injury;
- third party property damage;
- medical expenses;
- legal defense costs;
- pollution in some cases;
- well blowouts in some cases; and
- workers compensation.

There can be no assurance that this insurance coverage will be sufficient to cover every claim made against us in the future. A loss in connection with our oil and natural gas properties could have a materially adverse effect on our financial position and results of operations to the extent that the insurance coverage provided under our policies cover only a portion of any such loss.

Title to the properties in which we have an interest may be impaired by title defects.

We generally obtain title opinions on significant properties that we drill or acquire. However, there is no assurance that we will not suffer a monetary loss from title defects or title failure. Generally, under the terms of the operating agreements affecting our properties, any monetary loss is to be borne by all parties to any such agreement in proportion to their interests in such property. If there are any title defects or defects in assignment of leasehold rights in properties in which we hold an interest, we will suffer a financial loss.

We may not be able to successfully integrate the businesses of Petrohawk and KCS following the merger with KCS.

The success of the merger with KCS depends in large part upon our ability to integrate our organizations, operations, systems and personnel. The integration of two previously independent companies is a challenging, time-consuming and costly process. We have grown rapidly through recent acquisitions and will be required to integrate our recent acquisitions with KCS. It is possible that the integration process could result in the loss of key employees, the disruption of each company s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with suppliers, customers and employees or to achieve the anticipated benefits of the merger with KCS. In addition, successful integration of the companies will require the dedication of significant management resources, which will temporarily detract attention from the day-to-day businesses of the combined company. It we are not able to integrate our organizations, operations, systems and personnel in a timely and efficient manner, the anticipated benefits of the merger with KCS may not be realized fully or at all or may take longer to realize than expected.

We may be required to take non-cash asset writedowns if oil and natural gas prices decline.

We may be required under full cost accounting rules to write down the carrying value of oil and natural gas properties if oil and natural gas prices decline or if there are substantial downward adjustments to our estimated proved reserves, increases in our estimates of development costs or deterioration in our exploration results.

We utilize the full cost method of accounting for oil and natural gas exploration and development activities. Under full cost accounting, we are required by SEC regulations to perform a ceiling test each quarter. The ceiling test is an impairment test and generally establishes a maximum, or ceiling, of the book value of oil and natural gas properties that is equal to the expected after tax present value (discounted at 10%) of the future net cash flows from proved reserves, including the effect of cash flow hedges, calculated using prevailing oil and natural gas prices on the last day of the period. If the net book value of oil and natural gas properties (reduced by any related net deferred income tax liability and asset retirement obligation) exceeds the ceiling limitation, SEC regulations require us to impair or writedown the book value of our oil and natural gas properties. Depending on the magnitude, a ceiling test writedown could significantly reduce income, or produce a loss. As ceiling test computations involve the prevailing oil and natural gas prices on the last day of the quarter, it is impossible to predict the likelihood, timing and magnitude of any future impairments. The book value of our proved oil and natural gas properties increased in 2005 as a function of higher acquisition, exploration and development costs for the year and the increase in future development costs associated with reserves added during the year. To the extent finding and development costs continue to increase, we will become more susceptible to ceiling test writedowns in lower price environments.

Our results of operations could be adversely affected as a result of non-cash goodwill impairments.

We expect to record, in connection with the merger with KCS, approximately $867 million in goodwill. In addition, we have booked goodwill in connection with other acquisitions we have made. Goodwill represents the excess of the purchase price paid by us for various acquisitions plus liabilities assumed, including deferred taxes recorded in connection with the acquisitions, over the estimated fair market value of the tangible net assets acquired.

Goodwill is not amortized, but instead must be tested at least annually for impairment by applying a fair value based test. Goodwill is deemed impaired to the extent of any excess of its carrying amount over the residual fair value of the business. Such non-cash impairment could significantly reduce earnings during the period in which the impairment occurs, and would result in a corresponding reduction to goodwill and stockholders equity.

Risks Relating to Common Stock

We have not paid, and do not anticipate paying, any dividends on our common stock in the foreseeable future.

We have never paid any cash dividends on our common stock. We do not expect to declare or pay any cash or other dividends in the foreseeable future on our common stock. Our revolving credit facility restricts our ability to pay cash dividends on our capital stock, and we may also enter into credit agreements or other borrowing arrangements in the future that restrict our ability to declare cash dividends on our preferred stock and common stock.

The trading price of our common stock may be volatile.

The trading price of our shares of common stock has from time to time fluctuated widely and in the future may be subject to similar fluctuations. The trading price may be affected by a number of factors including the risk factors set forth herein as well as our operating results, financial condition, drilling activities and general conditions in the oil and natural gas exploration and development industry, the economy, the securities markets and other events. In recent years broad stock market indices, in general, and smaller capitalization companies, in particular, have experienced substantial price fluctuations. In a volatile market, we may experience wide fluctuations in the market price of our common stock. These fluctuations may have an extremely negative effect on the market price of our common stock.

Provisions in our organizational documents and under Delaware law could delay or prevent a change in control of our company, which could adversely affect the price of our common stock.

The existence of some provisions in our organizational documents and under Delaware law could delay or prevent a change in control of our company, which could adversely affect the price of our common stock. The provisions in our certificate of incorporation and bylaws that could delay or prevent an unsolicited change in control of our company include a staggered board of directors, board authority to issue preferred stock, and advance notice provisions for director nominations or business to be considered at a stockholder meeting. In addition, Delaware law imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock.

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USE OF PROCEEDS

Except as otherwise described in an applicable prospectus supplement, we intend to use the net proceeds from the sale of the securities for one or more of the following purposes:

- refinance, in whole or in part, existing indebtedness;
- finance, in whole or in part, the cost of acquisitions;
- finance capital expenditures and capacity expansion; and/or
- general corporate purposes and working capital.

Until we apply the proceeds from a sale of securities to their intended purposes, we may invest these proceeds in short-term investments.

The specific allocations of the proceeds we receive from the sale of our securities will be described in the applicable prospectus supplement.

We will not receive proceeds from sale of our common stock by selling stockholders except as may otherwise be stated in an applicable prospectus supplement.

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DESCRIPTION OF PETROHAWK CAPITAL STOCK

Set forth below is a description of the material terms of our capital stock. This description, however, is not complete and is qualified by reference to our certificate of incorporation (including our certificates of designation, if any) and bylaws. Copies of our certificate of incorporation (including our certificates of designation, if any) and bylaws have been filed with the SEC and are incorporated by reference into this prospectus. Please read Where You Can Find More Information. You should also be aware that the summary below does not give full effect to the provisions of statutory or common law which may affect your rights as a stockholder.

Authorized Capital Stock

Our authorized capital stock consists of 300 million shares of common stock, par value of $0.001 per share, and 5 million shares of preferred stock, par value $0.001 per share, 1.5 million shares of which had been designated 8% cumulative convertible preferred stock. Effective July 10, 2006, we redeemed all of our outstanding 8% cumulative convertible preferred stock. Currently, no shares of 8% cumulative convertible preferred stock are outstanding, and as a result of the redemption, the shares of 8% cumulative convertible preferred stock were deemed to be retired, and currently have the status of authorized and unissued shares of preferred stock, undesignated as to series, and are subject to later designation and issuance by us in accordance with our certificate of incorporation. As a result, as of the date of this prospectus, the authorized shares of our preferred stock, par value $0.001 per share, are undesignated as to series. We do not have any current plans to designate and issue shares of 8% cumulative convertible preferred stock in the future.

Selected provisions of our organizational documents are summarized below; however, you should read the organizational documents, which are filed as exhibits to our periodic filings with the SEC and incorporated herein by reference, for other provisions that may be important to you. In addition, you should be aware that the summary below does not give full effect to the terms of the provisions of statutory or common law which may affect your rights as a stockholder.

Common Stock

We may, from time to time, issue an indeterminate amount of shares of common stock. As of September 13, 2006, there were 168,260,069 shares issued and outstanding. Our common stock is listed on the Nasdaq Global Select Market under the symbol HAWK.

Voting rights. Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. The vote of the holders of a majority of the stock represented at a meeting at which a quorum is present is generally required to take stockholder action, unless a greater vote is required by law. The holders are not entitled to cumulative voting in the election of directors. Directors are elected by plurality vote. Accordingly, the holder or holders of a majority of the outstanding shares of common stock will be able to elect our entire board of directors.

Dividends, distributions and stock splits. Holders of common stock are entitled to receive dividends if, as and when such dividends are declared by the board of directors out of assets legally available therefore after payment of dividends required to be paid on shares of preferred stock, if any. Our existing debt arrangements restrict our ability to pay cash dividends.

Liquidation. In the event of any dissolution, liquidation, or winding up of our affairs, whether voluntary or involuntary, after payment of debts and other liabilities and making provision for any holders of its preferred stock who have a liquidation preference, our remaining assets will be distributed ratably among the holders of common stock.

Fully paid. All shares of common stock outstanding are fully paid and nonassessable.

Other rights. Holders of common stock have no redemption or conversion rights and no preemptive or other rights to subscribe for our securities.

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Preferred Stock

Our board of directors has the authority to issue 5,000,000 shares of undesignated preferred stock. As of the date of this prospectus, no shares of preferred stock are outstanding. We may issue preferred stock from time to time in one or more series, without stockholder approval, when authorized by our board of directors.

Each series of preferred stock will have specific financial and other terms that we will describe in a prospectus supplement. Any or all of the rights of our preferred stock may be greater than the rights of our common stock.

Upon issuance of a particular series of preferred stock, our board of directors is authorized to specify:

- the number of shares to be included in the series;
- the annual dividend rate for the series and any restrictions or conditions on the payment of dividends;
- the redemption price, if any, and the terms and conditions of redemption;
- any sinking fund provisions for the purchase or redemption of the series;
- if the series is convertible, the terms and conditions of conversion;
- the amounts payable to holders upon our liquidation, dissolution or winding up; and
- any other rights, preferences and limitations relating to the series.

Our board of directors ability to authorize, without stockholder approval, the issuance of preferred stock with conversion and other rights, may affect adversely the rights of holders of our common stock or other series of preferred stock that may be outstanding. In certain circumstances, an issuance of preferred stock could have the effect of decreasing the market price of our common stock. Management believes that the availability of preferred stock provides us with increased flexibility in structuring possible future financing and acquisitions and in meeting other needs that might arise.

Specific Terms of a Series of Preferred Stock

The preferred stock we may offer may be issued in one or more series. Shares of preferred stock, when issued against full payment of the purchase price, will be fully paid and non-assessable. Their par value or liquidation preference, however, may not be indicative of the price at which they may actually trade after their issuance. If necessary, the prospectus supplement may provide a description of U.S. Federal income tax consequences relating to the purchase and ownership of the series of preferred stock offered by that prospectus supplement.

A prospectus supplement may discuss some or all of the following features of the series of preferred stock to which it relates (and any additional terms not described below if applicable):

- the designations and stated value per share;
- the number of shares offered;
- the amount of liquidation preference per share;

the initial public offering price at which the preferred stock will be issued;

the dividend rate, the method of its calculation, the dates on which dividends would be paid and the dates, if any, from which dividends would cumulate;

any redemption or sinking fund provisions;

the voting rights, if any;

the listing of the preferred stock on any securities exchange;

the applicable registrar and transfer agent for the series of preferred stock;

any conversion or exchange rights; and

any additional voting, dividend, liquidation, redemption, sinking fund and other rights, preferences, privileges, limitations and restrictions.

Unless we state otherwise in the prospectus supplement, the preferred stock will have priority over our common stock with respect to dividends and distribution of assets, but will rank junior to all our outstanding indebtedness for borrowed money.

Any series of preferred stock could rank senior, equal or junior to our other capital stock, as may be specified in a prospectus supplement, as long as our restated articles of incorporation so permits.

8% Cumulative Convertible Preferred Stock

Effective July 10, 2006, we redeemed all of our outstanding 8% cumulative convertible preferred stock. Currently, no shares of 8% cumulative convertible preferred stock are outstanding, and as a result of the redemption, the shares of 8% cumulative convertible preferred stock were deemed to be retired, and currently have the status of authorized and unissued shares of preferred stock, undesignated as to series, and are subject to later designation and issuance by us in accordance with our certificate of incorporation. As a result, as of the date of this prospectus, the authorized shares of our preferred stock, par value $0.001 per share, are undesignated as to series. We do not have any current plans to designate and issue shares of 8% cumulative convertible preferred stock in the future.

Transfer Agent and Registrar

The transfer agent and registrar for our common and preferred stock is American Stock Transfer & Trust Company, Inc. Its phone number is (800) 937-5449.

Warrants

We may issue warrants to purchase common stock or preferred stock. We may issue warrants independently or together with the common stock and/or preferred stock offered, which may be attached to or separate from these securities. We may issue warrants in such amounts or in as many distinct series as we wish. The warrants may be issued under warrant agreements as detailed in the prospectus supplement relating to the warrants being offered.

Specific Terms of the Warrants

The applicable prospectus supplement may describe some or all of the following terms, where applicable, of the warrants in respect of which this prospectus is being delivered (and any additional terms not described below if applicable):

the title of the warrants;

the aggregate number of the warrants;

the price or prices at which the warrants will be issued;

the designation, amount, and terms of the common stock and/or preferred stock purchasable upon exercise of the warrants;

if applicable, the date on and after which the warrants and the common stock and/or preferred stock purchasable upon exercise of the warrants will be separately transferable;

the price or prices at which the common stock and/or preferred stock purchasable upon exercise of the warrants may be purchased;

the date on which the right to exercise the warrants shall commence and the date on which the right shall expire;

the minimum or maximum amount of the warrants which may be exercised at any one time;

information with respect to book-entry procedures, if any;

in the case of warrants to purchase our common stock or preferred stock, any provisions for adjustment of the number or amount of shares of our common stock or preferred stock receivable upon exercise of the warrants or the exercise price of the warrants;

in the case of warrants to purchase preferred stock, the designation, stated value and terms, such as liquidation, dividend, conversion and voting rights, of the series of preferred stock purchasable upon exercise of the warrants;

a discussion of any federal income tax considerations; and

any other material terms of the warrants, including terms, procedures, and limitations relating to the exchange and exercise of the warrants.

Delaware Anti-Takeover Law and Certain Charter and Bylaw Provisions

Our certificate of incorporation, bylaws and the Delaware General Corporation Law (DGCL) contain certain provisions that could discourage potential takeover attempts and make it more difficult for stockholders to change management or receive a premium for their shares.

Delaware law. We are subject to Section 203 of the DGCL, an anti-takeover law. In general, the statute prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder. A business combination includes a merger, sale of 10% or more of our assets and certain other transactions resulting in a financial benefit to the stockholder. For purposes of Section 203, an interested stockholder is defined to include any person that is:

the owner of 15% or more of the outstanding voting stock of the corporation;

an affiliate or associate of the corporation and was the owner of 15% or more of the voting stock outstanding of the corporation, at any time within three years immediately prior to the relevant date; and

an affiliate or associate of the persons described in the foregoing bullet points.

However, the above provisions of Section 203 do not apply if:

the board of directors approves the transaction that made the stockholder an interested stockholder prior to the date of that transaction;

after completion of the transaction that resulted in the stockholder becoming an interested stockholder, that stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding shares owned by our officers and directors; or

on or subsequent to the date of the transaction, the business combination is approved by our board of directors and authorized at a meeting of our stockholders by an affirmative vote of at least two-thirds of the outstanding voting stock not owned by the interested stockholder.

Stockholders may, by adopting an amendment to the corporation s certificate of incorporation or bylaws, elect for the corporation not to be governed by Section 203, effective 12 months after adoption. Neither our certificate of incorporation nor our bylaws exempt us from the restrictions imposed under Section 203. It is anticipated that the provisions of Section 203 may encourage companies interested in acquiring us to negotiate in advance with our board.

Charter and bylaw provisions. Delaware law permits any Delaware corporation to classify its board of directors into as many as three (3) classes as equally as possible with staggered terms of office. After initial implementation of a classified board, one class will be elected at each annual meeting of the stockholders to serve for a term of one, two or three years (depending upon the number of classes into which directors are classified) or until their successors are elected and take office. Our certificate of incorporation and bylaws provide for a classified board of directors by dividing the board into three (3) classes, with no class having more than one director more than any other class. The stockholders of a Delaware corporation with a classified board of directors may remove a director only for cause unless the company s certificate of incorporation provides otherwise. Our bylaws restrict the removal of a director except for cause.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERENCE DIVIDENDS

The following table sets forth our historical consolidated ratio of earnings to combined fixed charges and preference dividends for the periods shown:

	Year Ended December 31, 2001	2002	2003	2004	2005	Six Months Ended June 30, 2006
Ratio of earnings to combined fixed charges and preference dividends	(1)	(2)	1.5	3.3	(3)	3.8

(1) Due to our loss in 2001, the ratio coverage was less than 1:1. Additional earnings of $12.9 million would have been necessary to achieve a coverage ratio of 1:1.

(2) Due to our loss in 2002, the ratio coverage was less than 1:1. Additional earnings of $7.3 million would have been necessary to achieve a coverage ratio of 1:1.

(3) Due to our loss in 2005, the ratio coverage was less than 1:1. Additional earnings of $26.4 million would have been necessary to achieve a coverage ratio of 1:1.

The following table sets forth our consolidated ratio of earnings to combined fixed charges and preference dividends for the year ended December 31, 2005, and for the six months ended June 30, 2006, which are shown on a pro forma basis after giving effect to our issuance of the 2013 Notes and the application of the net proceeds to fund a portion of our payment of cash to KCS stockholders, our repayment of KCS debt and transaction expenses incurred in connection with our merger with KCS, our repurchase of our 2011 Notes and repayment in full of our second lien term facility described herein. The information in the following table has been derived from pro forma financial statements prepared in connection with our recent merger with KCS, which have been incorporated herein by reference to Exhibit 9.01 to our Form 8-K filed with the SEC on September 1, 2006:

	Year Ended December 31, 2005	Six Months Ended June 30, 2006
Ratio of earnings to combined fixed charges and preference dividends	(4)	3.8

(4) Due to our loss in 2005, the ratio coverage was less than 1:1. Additional earnings of $31.6 million would have been necessary to achieve a coverage ratio of 1:1.

The ratio was computed by dividing earnings by combined fixed charges and preference dividends. For this purpose, earnings represent the aggregate of pre-tax income from continuing operations before reorganization items and cumulative effect of accounting change plus fixed charges excluding capitalized interest. Fixed charges include interest expensed, capitalized interest, amortization of debt issuance costs and the portion of non-capitalized rental expense deemed to be the equivalent of interest, and preference security dividend requirements of consolidated subsidiaries. Preference security dividend is the amount of pre-tax earnings that is required to pay the dividends on outstanding preference securities.

SELLING STOCKHOLDERS

Information about selling stockholders, where applicable, will be set forth in a prospectus supplement, in a post-effective amendment, or in filings we make with the SEC under the Exchange Act which are incorporated by reference.

PLAN OF DISTRIBUTION

We and the selling stockholders may sell the securities (a) through agents; (b) through underwriters or dealers; (c) directly to one or more purchasers; or (d) through a combination of any of these methods of sale. We will identify the specific plan of distribution, including any underwriters, dealers, agents or direct purchasers and their compensation in a prospectus supplement.

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LEGAL MATTERS

The validity of the issuance of the common stock, preferred stock and warrants covered by this prospectus has been passed upon for us by Hinkle Elkouri Law Firm LLC, Wichita, Kansas.

EXPERTS

The consolidated financial statements and management s report on the effectiveness of internal control over financial reporting incorporated in this prospectus by reference from Petrohawk Energy Corporation s Annual Report on Form 10-K have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Petrohawk Energy Corporation (formerly Beta Oil & Gas Corporation) for the year ended December 31, 2003, appearing in Petrohawk Energy Corporation s Annual Report (Form 10-K/A) for the year ended December 31, 2005 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of KCS Energy, Inc. and subsidiaries appearing in KCS Energy, Inc. s Annual Report (Form 10-K) for the year ended December 31, 2005, and KCS Energy, Inc. management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 included therein, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and management s assessment are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Certain estimates of proved oil and gas reserves for Petrohawk Energy Corporation referred to and incorporated by reference in this prospectus were based in part upon engineering reports prepared by Netherland, Sewell & Associates, Inc. (Netherland Sewell), independent petroleum engineers. These estimates are included and incorporated herein in reliance on the authority of such firm as experts in such matters.

Certain estimates of proved oil and gas reserves for KCS Energy, Inc. referred to and incorporated by reference in this prospectus were based in part upon engineering reports prepared by KCS and audited by Netherland Sewell, independent petroleum engineers. These estimates are included and incorporated herein in reliance on the authority of such firm as experts in such matters.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus is a part of a registration statement on Form S-3 that we filed on September 15, 2006, with the SEC under the Securities Act. We refer you to this registration statement, for further information about us and our common stock offered hereby.

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and other information with the SEC (Commission File No. 000-25717). These filings contain important information that does not appear in this prospectus. For further information about Petrohawk, you may read and copy these filings at the

SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available on the SEC Internet site at *www.sec.gov*, which contains periodic reports and other information regarding issuers that file electronically. In addition, through our website, *www.petrohawk.com*, you can access electronic copies of documents we file with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and any amendments to those reports. Information on our website is not incorporated by reference in this prospectus. Access to those electronic filings is available as soon as practicable after filing with the SEC. You may also request a copy of those filings, excluding exhibits, at no cost by writing, emailing or telephoning our principal executive office, which is:

Petrohawk Energy Corporation
Attn: Investor Relations
1100 Louisiana, Suite 4400
Houston, Texas 77002
Phone (832) 204-2700
investors@petrohawk.com

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We are incorporating by reference herein important business and financial information that we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference or deemed incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will be deemed to update automatically and supersede this incorporated information.

The following documents we filed with the SEC pursuant to the Exchange Act are incorporated herein by reference (excluding any information furnished to the SEC pursuant to Item 2.02 or Item 7.01 or any current report on Form 8-K):

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed on March 14, 2006, as amended on Form 10-K/A filed on April 28, 2006 (Commission File No. 000-25717);

- our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2006, filed on May 10, 2006, and for the quarter ended June 30, 2006, filed on August 9, 2006 (Commission File No. 000-25717);

- our Current Reports on Form 8-K filed on January 31, 2006, February 2, 2006, February 9, 2006, March 6, 2006, April 21, 2006, May 18, 2006, June 23, 2006, June 28, 2006, June 29, 2006, July 11, 2006, July 17, 2006, July 28, 2006, August 17, 2006, and September 1, 2006, and Current Reports on Form 8-K/A filed on January 5, 2006 and March 17, 2006 (Commission File No. 000-25717); and

- the description of our common stock set forth in our registration statements filed pursuant to Section 12 of the Exchange Act, including any amendment or report filed for the purpose of updating such description. (Commission File No. 000-25717).

All documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished pursuant to Item 2.02 or Item 7.01 on any current report on Form 8-K) subsequent to the date of this filing and prior to the termination of this offering shall be deemed to be incorporated in this prospectus and to be a part hereof from the date of the filing of such document. Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for all purposes to the extent that a statement contained in this prospectus, or in any other subsequently filed document which is also incorporated or deemed to be incorporated by reference, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Readers should not assume that the information in this prospectus and the applicable supplement is accurate as of any date other than the date on the front cover of the document, or if a specific date is used with respect to any information, as of any date other than the specific date used.

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You can obtain any of the documents incorporated by reference in this prospectus through us or from the SEC through the SEC s web site or at its facilities described above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents that are not specifically incorporated by reference in such documents. You can request a copy of the documents incorporated by reference in this prospectus and a copy of the other agreements referred to in this prospectus by requesting them in writing at the following address or by telephone from us at the following address and telephone number:

Petrohawk Energy Corporation
Attn: Investor Relations
1100 Louisiana, Suite 4400
Houston, Texas 77002
Phone (832) 204-2700
investors@petrohawk.com

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25,000,000 Shares

Common Stock

PROSPECTUS SUPPLEMENT
May 8, 2008

Joint Book-Running Managers

Lehman Brothers

Merrill Lynch & Co.

JPMorgan

BMO Capital Markets

Jefferies & Company

RBC Capital Markets

UBS Investment Bank

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Tenant Origination and Absorption Costs

Tenant Relationship

December 31,	2016	2015	2016	2015
Cost	$ 23,987	$ 24,492	$ 7,430	$ 7,269
Accumulated amortization	(4,432)	(4,215)	(735)	(679)
Net amount				

$
19,555

$
20,277

$
6,695

$
6,590

Decreases in net income as a result of amortization of the Company's tenant origination and absorption costs and tenant relationship assets for the years ended December 31, 2016, 2015 and 2014 are as follows (in thousands):

	Tenant Origination and Absorption Costs			Tenant Relationship		
	For the Year Ended December 31,					
	2016	2015	2014	2016	2015	2014
Amortization	$(2,705)	$(2,729)	$(1,109)	$(477)	$(466)	$(192)

The remaining unamortized balance for these outstanding intangible assets and liabilities as of December 31, 2016 will be amortized for the years ending December 31 as follows (dollars in thousands):

	Tenant Origination and Absorption Costs	Tenant Relationship
2017	$ 1,868	$ 326
2018	1,868	326
2019	1,868	326
2020	1,868	326
2021	1,868	326
Thereafter	10,215	5,065
	$ 19,555	$ 6,695
Weighted-Average Remaining Amortization Period	13.4 years	23.1 years

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7. LOANS RECEIVABLE AND OTHER INVESTMENTS

As of December 31, 2016 and 2015, the Company's loans receivable and other investments consisted of the following (dollars in thousands):

Investment	Quantity as of December 31, 2016	Facility Type	Principal Balance as of December 31, 2016 (1)	Book Value as of December 31, 2016	Book Value as of December 31, 2015	December 31, 2016 Weighted Average Contractual Interest Rate / Rate of Return	December 31, 2016 Weighted Average Annualized Effective Interest Rate / Rate of Return	Maturity Date as of December 31, 2016
Loans Receivable:								
Mortgage	4	Skilled Nursing / Senior Housing	$ 38,231	$ 38,262	$ 166,277	9.1 %	8.9 %	11/07/16 - 04/30/18
Construction	1	Senior Housing	795	842	75,201	8.0 %	7.7 %	03/31/21
Mezzanine	1	Senior Housing	9,640	9,656	15,613	11.0 %	10.8 %	08/31/17
Pre-development	3	Senior Housing	4,005	4,023	3,768	9.0 %	7.7 %	01/28/17 - 09/09/17
Debtor-in-possession	1	Acute Care Hospital	813	813	13,625	5.0 %	5.0 %	N/A
	10		53,484	53,596	274,484	9.3 %	9.1 %	
Loan loss reserve			—	(2,750)	(4,300)			
			53,484	50,846	270,184			
Other Investments:								
Preferred Equity	12	Skilled Nursing/Senior Housing	44,882	45,190	29,993	12.9 %	12.9 %	N/A
Total	22		$ 98,366	$ 96,036	$ 300,177	10.9 %	10.8 %	

(1) Principal balance includes amounts funded and accrued but unpaid interest / preferred return and excludes capitalizable fees.

During the year ended December 31, 2016, the Company received aggregate proceeds of $196.1 million, consisting of outstanding principal balance of $170.8 million and $25.3 million of accrued and unpaid interest and fees, in final repayments of the Forest Park - Fort Worth construction loan and the Forest Park - Dallas mortgage loan.

As of December 31, 2016, the Company considered three loan receivable investments to be impaired. The principal balances of the impaired loans were $17.4 million and $30.0 million as of December 31, 2016 and December 31, 2015, respectively. The Company recorded a provision for loan losses of $3.1 million related to four loan receivable investments during the year ended December 31, 2016, one of which was partially repaid prior to December 31, 2016 through the foreclosure of the real estate asset. As of December 31, 2016, four investments in loans receivable totaling $31.2 million were on nonaccrual status. During the year ended December 31, 2016, the Company decreased its provision for portfolio-based loan losses by $1.3 million. The Company's specific loan loss reserve and portfolio-based loan loss reserve were $2.3 million and $0.4 million, respectively, as of December 31, 2016. The Company recorded a $2.6 million specific loan loss reserve and a $1.8 million portfolio-based loan loss reserve during the year ended December 31, 2015.

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8. DEBT
Mortgage Indebtedness

The Company's mortgage notes payable consist of the following (dollars in thousands):

Interest Rate Type	Book Value as of December 31, 2016 (1)	Book Value as of December 31, 2015 (1)	Weighted Average Effective Interest Rate at December 31, 2016 (2)	Maturity Date
Fixed Rate	$ 163,638	$ 177,850	3.87 %	December 2021 - August 2051

(1) Principal balance does not include deferred financing costs of $2.9 million and $3.0 million as of December 31, 2016 and 2015, respectively.
(2) Weighted average effective interest rate includes private mortgage insurance.
Senior Unsecured Notes
The Company's senior unsecured notes consist of the following (dollars in thousands):

Title	Maturity Date	Principal Balance as of December 31, 2016 (1)	Principal Balance as of December 31, 2015 (1)
5.5% senior unsecured notes due 2021 ("2021 Notes")	February 1, 2021	$500,000	$500,000
5.375% senior unsecured notes due 2023 ("2023 Notes")	June 1, 2023	200,000	200,000
		$700,000	$700,000

(1) Principal balance does not include discount of $0.5 million and $0.6 million as of December 31, 2016 and 2015, respectively, and also excludes deferred financing costs of $11.2 million and $13.7 million as of December 31, 2016 and 2015, respectively.
5.5% Notes due 2021. On January 23, 2014, the Operating Partnership and Sabra Capital Corporation, wholly owned subsidiaries of the Company (the "Issuers"), completed an underwritten offering of $350.0 million aggregate principal amount of 5.5% senior unsecured notes (the "Existing 2021 Notes"). The 2021 Notes were sold at par, resulting in gross proceeds of $350.0 million and net proceeds of approximately $340.8 million after deducting underwriting discounts and other offering expenses. On October 10, 2014, the Issuers issued an additional $150.0 million aggregate principal amount of 5.5% senior unsecured notes, which are treated as a single class with, and have the same terms as, the Existing 2021 Notes (the additional notes and the Existing 2021 Notes, together, the "2021 Notes"). The notes were issued at 99.5% providing net proceeds of approximately $145.6 million (not including pre-issuance accrued interest), after deducting underwriting discounts and other offering expenses and a yield-to-maturity of 5.593%. The 2021 Notes accrue interest at a rate of 5.5% per annum payable semiannually on February 1 and August 1 of each year.
The 2021 Notes are redeemable at the option of the Issuers, in whole or in part, at any time, and from time to time, on or after February 1, 2017, at the redemption prices set forth in the 2021 Notes indenture, plus accrued and unpaid interest to the applicable redemption date. Assuming the 2021 Notes are not redeemed, the 2021 Note mature on February 1, 2021.

5.375% Notes Due 2023. On May 23, 2013, the Issuers completed an underwritten public offering of $200.0 million aggregate principal amount of 5.375% senior unsecured notes (the “2023 Notes”). The 2023 Notes were sold at par, resulting in gross proceeds of $200.0 million and net proceeds of approximately $194.6 million after deducting underwriting discounts and other offering expenses. The 2023 Notes accrue interest at a rate of 5.375% per annum payable semiannually on June 1 and December 1 of each year.

The 2023 Notes are redeemable at the option of the Issuers, in whole or in part, at any time, and from time to time, on or after June 1, 2018, at the redemption prices set forth in the indenture governing the 2023 Notes (the “2023 Notes Indenture”), plus accrued and unpaid interest to the applicable redemption date. In addition, prior to June 1, 2018, the Issuers may redeem all or a portion of the 2023 Notes at a redemption price equal to 100% of the principal amount of the 2023 Notes redeemed, plus a “make-whole” premium, plus accrued and unpaid interest to the applicable redemption date. At any time, or from time to time, on or prior to June 1, 2016, the Issuers may redeem up to 35% of the principal amount of the 2023 Notes, using the proceeds of specific kinds of equity offerings, at a redemption price of 105.375% of the principal amount to be redeemed, plus accrued and unpaid interest, if any, to the applicable redemption date. Assuming the 2023 Notes are not redeemed, the 2023 Notes mature on June 1, 2023.

The obligations under the 2021 Notes and 2023 Notes (collectively, the “Senior Notes”) are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by Sabra and certain of Sabra’s other existing and, subject to certain exceptions, future material subsidiaries; provided, however, that such guarantees are subject to release under certain customary circumstances. See Note 15, “Summarized Consolidating Information”, for additional information concerning the circumstances pursuant to which the guarantors will be automatically and unconditionally released from their obligations under the guarantees.

The indentures governing the Senior Notes (the “Senior Notes Indentures”) contain restrictive covenants that, among other things, restrict the ability of Sabra, the Issuers and their restricted subsidiaries to: (i) incur or guarantee additional indebtedness; (ii) incur or guarantee secured indebtedness; (iii) pay dividends or distributions on, or redeem or repurchase, their capital stock; (iv) make certain investments or other restricted payments; (v) sell assets; (vi) create liens on their assets; (vii) enter into transactions with affiliates; (viii) merge or consolidate or sell all or substantially all of their assets; and (ix) create restrictions on the ability of Sabra’s restricted subsidiaries to pay dividends or other amounts to Sabra. Such limitations on distributions also include a limitation on the extent of allowable cumulative distributions made not to exceed the greater of (a) the sum of (x) 95% of cumulative Adjusted Funds from Operations and (y) the net proceeds from the issuance of common and preferred equity and (b) the minimum amount of distributions required for the Company to maintain its REIT status. The Senior Notes Indentures also provide for customary events of default, including, but not limited to, the failure to make payments of interest or premium, if any, on, or principal of, the Senior Notes, the failure to comply with certain covenants and agreements specified in the Senior Notes Indentures for a period of time after notice has been provided, the acceleration of other indebtedness resulting from the failure to pay principal on such other indebtedness prior to its maturity, and certain events of insolvency. If any event of default occurs, the principal of, premium, if any, and accrued interest on all the then-outstanding Senior Notes may become due and payable immediately. The Company was in compliance with all applicable financial covenants under the Senior Notes Indentures related to the Senior Notes outstanding as of December 31, 2016.

Revolving Credit Facility and Term Loans

On September 10, 2014, the Operating Partnership entered into an unsecured revolving credit facility (the “Prior Revolving Credit Facility”) that provided for a borrowing capacity of $650.0 million and provided an accordion feature allowing for an additional $100.0 million of capacity, subject to terms and conditions. On October 10, 2014, the Operating Partnership converted $200.0 million of the outstanding borrowings under the Prior Revolving Credit Facility to a term loan. Concurrent with the term loan conversion, the Company entered into a five-year interest rate cap contract that caps LIBOR at 2.0%.

Borrowings under the Prior Revolving Credit Facility bore interest on the outstanding principal amount at a rate equal to an applicable percentage plus, at the Operating Partnership's option, either (a) LIBOR or (b) a base rate determined as the greater of (i) the federal funds rate plus 0.5%, (ii) the prime rate, and (iii) one-month LIBOR plus 1.0% (referred to as the “Base Rate”). The applicable percentage for borrowings varied based on the Consolidated Leverage Ratio, as defined in the credit agreement for the Prior Revolving Credit Facility, and ranged from 2.00% to 2.60% per annum for LIBOR based borrowings and 1.00% to 1.60% per annum for borrowings at the Base Rate. In addition, the Operating Partnership was required to pay an unused fee to the lenders equal to 0.25% or 0.35% per annum based on the amount of unused borrowings under the Prior Revolving Credit Facility.

On June 10, 2015, Sabra Canadian Holdings, LLC, a wholly-owned subsidiary of the Company, entered into a new Canadian dollar denominated term loan of CAD $90.0 million (U.S. $73.2 million) (the "Prior Canadian Term Loan") that bore a variable interest rate of the Canadian Dollar Offer Rate (“CDOR”) plus 2.00%-2.60% depending on the Company's consolidated leverage ratio.

On January 14, 2016, the Operating Partnership and Sabra Canadian Holdings, LLC, also a wholly owned subsidiary of the Company (together, the “Borrowers”), entered into a third amended and restated unsecured credit facility (the “Credit Facility”). The Credit Facility amends and restates the a Prior Revolving Credit Facility and replaces the Prior Canadian Term Loan.

The Credit Facility includes a revolving credit facility (the “Revolving Credit Facility”) and U.S. dollar and Canadian dollar term loans (collectively, the “Term Loans”). The Revolving Credit Facility provides for a borrowing capacity of

$500.0 million and, in addition, increases the Company's U.S. dollar and Canadian dollar term loans to $245.0 million and CAD $125.0 million, respectively. Further, up to $125.0 million of the Revolving Credit Facility may be used for borrowings in certain foreign currencies. The Credit Facility also contains an accordion feature that can increase the total available borrowings to $1.25 billion, subject to terms and conditions. In addition, the Canadian dollar term loan was re-designated as a net investment hedge (see Note 9, “Derivative and Hedging Instruments,” for further information).

The Revolving Credit Facility has a maturity date of January 14, 2020, and includes two six-month extension options. The Term Loans have a maturity date of January 14, 2021.

As of December 31, 2016, there was $26.0 million outstanding under the Revolving Credit Facility and $474.0 million available for borrowing.

Borrowings under the Revolving Credit Facility bear interest on the outstanding principal amount at a rate equal to an applicable percentage plus, at the Operating Partnership's option, either (a) LIBOR or (b) a base rate determined as the greater of (i) the federal funds rate plus 0.5%, (ii) the prime rate, and (iii) one-month LIBOR plus 1.0% (the "Base Rate"). The applicable percentage for borrowings will vary based on the Consolidated Leverage Ratio, as defined in the credit agreement, and will range from 1.80% to 2.40% per annum for LIBOR based borrowings and 0.80% to 1.40% per annum for borrowings at the Base Rate. As of December 31, 2016, the interest rate on the Revolving Credit Facility was 2.77%. In addition, the Operating Partnership pays an unused fee to the lenders equal to 0.25% or 0.30% per annum, which is determined by usage under the Revolving Credit Facility.

The U.S. dollar term loan bears interest on the outstanding principal amount at a rate equal to an applicable percentage plus, at the Operating Partnership's option, either (a) LIBOR or (b) the Base Rate. The applicable percentage for borrowings will vary based on the Consolidated Leverage Ratio, as defined in the credit agreement, and will range from 1.75% to 2.35% per annum for LIBOR based borrowings and 0.75% to 1.35% per annum for borrowings at the Base Rate. The Canadian dollar term loan bears interest on the outstanding principal amount at a rate equal to the Canadian Dollar Offer Rate ("CDOR") plus 1.75% to 2.35% depending on the Consolidated Leverage Ratio.

On June 10, 2015, concurrently with entering into the Prior Canadian Term Loan, the Company entered into an interest rate swap agreement to fix the CDOR portion of the interest rate for this CAD $90.0 million term loan at 1.59%. In addition, the Prior Canadian Term Loan was designated as a net investment hedge (see Note 9, "Derivative and Hedging Instruments," for further information). On August 10, 2016, the Company entered into two interest rate swap agreements to fix the LIBOR portion of the interest rate for its $245.0 million U.S. dollar term loan at 0.90% and one interest rate swap agreement to fix the CDOR portion on CAD $35.0 million of its Canadian dollar term loan at 0.93%. In addition, the Company terminated the five-year interest rate cap contract that capped LIBOR at 2.0%.

In the event that Sabra achieves investment grade ratings from at least two of S&P, Moody's and/or Fitch, the Operating Partnership can elect to reduce the applicable percentage for LIBOR or Base Rate borrowings. If the Operating Partnership makes this election, the applicable percentage for borrowings will vary based on the Debt Ratings at each Pricing Level, as defined in the credit agreement, and will range from 0.90% to 1.70% per annum for LIBOR based borrowings under the Revolving Credit Facility, 1.00% to 1.95% per annum for LIBOR or CDOR based borrowings under the Term Loans, 0.00% to 0.70% per annum for borrowings at the Base Rate under the Revolving Credit Facility, and 0.00% to 0.95% per annum for borrowings at the Base Rate under the U.S. dollar term loan. In addition, should the Operating Partnership elect this option, the unused fee will no longer apply and a facility fee ranging between 0.125% and 0.300% per annum will take effect based on the borrowing capacity regardless of amounts outstanding under the Revolving Credit Facility.

The obligations of the Borrowers under the Credit Facility are guaranteed by Sabra and certain subsidiaries of Sabra. The Credit Facility contains customary covenants that include restrictions or limitations on the ability to make acquisitions and other investments, pay dividends, incur additional indebtedness, engage in non-healthcare related business activities, enter into transactions with affiliates and sell or otherwise transfer certain assets as well as customary events of default. The Credit Facility also requires Sabra, through the Operating Partnership, to comply with specified financial covenants, which include a maximum leverage ratio, a minimum fixed charge coverage ratio and a minimum tangible net worth requirement. As of December 31, 2016, the Company was in compliance with all applicable financial covenants under the Prior Revolving Credit Facility and the Prior Canadian Term Loan.

Interest Expense

During the years ended December 31, 2016, 2015 and 2014, the Company incurred interest expense of $64.9 million, $59.2 million and $47.0 million, respectively. Included in interest expense for the years ended December 31, 2016, 2015 and 2014, was $5.0 million, $5.1 million and $4.0 million, respectively, of deferred financing costs amortization. As of December 31, 2016 and 2015, the Company had $13.8 million and $13.3 million, respectively, of accrued interest included in accounts payable and accrued liabilities on the accompanying consolidated balance sheets.

Maturities

The following is a schedule of maturities for the Company's outstanding debt as of December 31, 2016 (in thousands):

	Mortgage Indebtedness	Revolving Credit Facility [1]	Terms Loans	Senior Notes	Total
2017	$ 4,128	$ —	$ —	$ —	$ 4,128
2018	4,265	—	—	—	4,265
2019	4,408	—	—	—	4,408
2020	4,555	26,000	—	—	30,555
2021	19,402	—	338,000	500,000	857,402
Thereafter	126,880	—	—	200,000	326,880
Total Principal Balance	163,638	26,000	338,000	700,000	1,227,638
Discount	—	—	—	(515)	(515)
Deferred Financing Costs	(2,886)	—	(2,327)	(11,239)	(16,452)
Total Debt, net	160,752	26,000	335,673	688,246	1,210,671

(1) Revolving Credit Facility is subject to two six-month extension options.

9. DERIVATIVE AND HEDGING INSTRUMENTS

The Company is exposed to various market risks, including the potential loss arising from adverse changes in interest rates and foreign exchange rates. The Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates and foreign exchange rates. The Company's derivative financial instruments are used to manage differences in the amount of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

Certain of the Company's foreign operations expose the Company to fluctuations of foreign interest rates and exchange rates. These fluctuations may impact the value in the Company's functional currency, the U.S. dollar, of the Company's investment in foreign operations, the cash receipts and payments related to these foreign operations and payments of interest and principal under Canadian dollar denominated debt. The Company enters into derivative financial instruments to protect the value of its foreign investments and fix a portion of the interest payments for certain debt obligations. The Company does not enter into derivatives for speculative purposes.

Cash Flow Hedges

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Approximately $3.3 million of losses, which are included in accumulated other comprehensive loss, as of December 31, 2016, are expected to be reclassified into earnings in the next 12 months. During the year ended December 31, 2016, the Company terminated its interest rate cap, generating cash proceeds of $0.3 million. The balance of the loss in other comprehensive income will be reclassified to earnings through 2019.

Net Investment Hedges

The Company is exposed to fluctuations in foreign exchange rates on investments it holds in Canada. The Company uses cross currency interest rate swaps to hedge its exposure to changes in foreign exchange rates on these foreign investments.

The following presents the notional amount of derivatives instruments as of the dates indicated (in thousands):

	December 31, 2016	December 31, 2015
Derivatives designated as cash flow hedges:		
Denominated in U.S. Dollars	$ 245,000	$ 200,000
Denominated in Canadian Dollars	$ 125,000	$ 90,000
Derivatives designated as net investment hedges:		
Denominated in Canadian Dollars	$ 56,300	$ 56,300
Financial instrument designated as net investment hedge:		
Denominated in Canadian Dollars	$ 125,000	$ 90,000

The following is a summary of the derivative and financial instruments designated as hedging instruments held by the Company at December 31, 2016 and 2015 (in thousands):

Type	Designation	Count	Fair Value December 31, 2016	2015	Maturity Dates	Balance Sheet Location
Assets:						
Interest rate cap	Cash Flow	—	$—	$1,695	2019	Prepaid expenses, deferred financing costs and other assets, net
Interest rate swap	Cash Flow	3	8,083	—	2021	Prepaid expenses, deferred financing costs and other assets, net
Cross currency interest rate swaps	Net Investment	2	3,157	5,392	2025	Prepaid expenses, deferred financing costs and other assets, net
			$11,240	$7,087		
Liabilities:						
Interest rate swap	Cash Flow	1	$716	$1,468	2020 - 2021	Accounts payable and accrued liabilities
CAD Term Loan	Net Investment	1	93,000	64,890	2020	Term loans, net
			$93,716	$66,358		

The following presents the effect of the Company's hedging instruments on the consolidated statements of income and the consolidated statements of equity for years ended December 31, 2016, 2015 and 2014:

	Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion)			Gain (Loss) Reclassified from Accumulated Other Comprehensive Income Into Income (Effective Portion)			Income Statement Location
	For the year ended December 31,						
	2016	2015	2014	2016	2015	2014	
Cash Flow Hedges:							
Interest Rate Products	$5,879	$(4,764)	$(1,542)	$(1,360)	$(319)	$ —	Interest Expense
Net Investment Hedges:							

Foreign Currency Products	(2,085)	5,476	—	—	—	—	N/A
CAD Term Loan	(3,750)	(8,352)	—	—	—	—	N/A
	$44	$(7,640)	$(1,542)	$(1,360)	$(319)	$ —	

During the year ended December 31, 2016, the Company determined that a portion of a cash flow hedge was ineffective and recognized $0.8 million of unrealized gains related to its interest rate swaps to other income (expense) in the consolidated statements of income. During the years ended December 31, 2015 and 2014, the Company recorded no hedge ineffectiveness in earnings.

Offsetting Derivatives

The Company enters into master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. The table below presents a gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of December 31, 2016 and 2015 :

	As of December 31, 2016					
				Gross Amounts Not Offset in the Balance Sheet		
	Gross Amounts of Recognized Assets / Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets / Liabilities presented in the Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Offsetting Assets:						
Derivatives	$11,240	$ —	$ 11,240	$ (716)	$ —	$10,524
Offsetting Liabilities:						
Derivatives	$716	$ —	$ 716	$ (716)	$ —	$—

	As of December 31, 2015					
				Gross Amounts Not Offset in the Balance Sheet		
	Gross Amounts of Recognized Assets / Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets / Liabilities presented in the Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Offsetting Assets:						
Derivatives	$7,087	$ —	$ 7,087	$(1,468)	$ —	$ 5,619
Offsetting Liabilities:						
Derivatives	$1,468	$ —	$ 1,468	$(1,468)	$ —	$ —

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

As of December 31, 2016, the Company had no derivatives with a fair value in a net liability position.

10.FAIR VALUE DISCLOSURES

Financial Instruments

The fair value for certain financial instruments is derived using a combination of market quotes, pricing models and other valuation techniques that involve significant management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in determining the fair value of the Company's financial instruments.

Financial instruments for which actively quoted prices or pricing parameters are available and whose markets contain orderly transactions will generally have a higher degree of price transparency than financial instruments whose markets are inactive or consist of non-orderly trades. The Company evaluates several factors when determining if a market is inactive or when market transactions are not orderly. The carrying values of cash and cash equivalents, restricted cash, accounts payable, accrued liabilities, the Credit Facility are reasonable estimates of fair value because of the short-term maturities of these instruments. Fair values for other financial instruments are derived as follows:

Loans receivable: These instruments are presented in the accompanying consolidated balance sheets at their amortized cost and not at fair value. The fair value of the loans receivable were estimated using an internal valuation model that considered the expected cash flows for the loans receivable, the underlying collateral value and other credit enhancements. As such, the Company classifies these instruments as Level 3.

Preferred equity investments: These instruments are presented in the accompanying consolidated balance sheets at their cost and not at fair value. The fair value of the preferred equity investments were estimated using an internal valuation model that considered the expected future cash flows for the preferred equity investment, the underlying collateral value and other credit enhancements. As such, the Company classifies these instruments as Level 3.
Derivative instruments: The Company's derivative instruments are presented at fair value on the accompanying consolidated balance sheets. The Company estimates the fair value of derivative instruments, including its interest rate cap, interest rate swap and cross currency swaps, using the assistance of a third party using inputs that are observable in the market, which includes forward yield curves and other relevant information. Although the Company has determined that the majority of the inputs used to value its derivative financial instruments fall within level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivative financial instruments utilize level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. The Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivative financial instruments. As a result, the Company has determined that its derivative financial instruments valuations in their entirety are classified in level 2 of the fair value hierarchy.
Senior Notes: These instruments are presented in the accompanying consolidated balance sheets at their outstanding principal balance, net of unamortized deferred financing costs and premiums (discounts) and not at fair value. The fair values of the Senior Notes were determined using third-party market quotes derived from orderly trades. As such, the Company classifies these instruments as Level 2.
Mortgage indebtedness: These instruments are presented in the accompanying consolidated balance sheets at their outstanding principal balance, net of unamortized deferred financing costs and premiums (discounts) and not at fair value. The fair values of the Company's mortgage notes payable were estimated using a discounted cash flow analysis based on management's estimates of current market interest rates for instruments with similar characteristics, including remaining loan term, loan-to-value ratio, type of collateral and other credit enhancements. As such, the Company classifies these instruments as Level 3.
The following are the face values, carrying amounts and fair values of the Company's financial instruments as of December 31, 2016 and 2015 whose carrying amounts do not approximate their fair value (in thousands):

	December 31, 2016			December 31, 2015		
	Carrying Amount (1)	Face Value (2)	Fair Value	Carrying Amount (1)	Face Value (2)	Fair Value
Financial assets:						
Loans receivable	$53,596	$53,484	$51,914	$270,184	$273,811	$274,628
Preferred equity investments	45,190	44,882	48,332	29,993	29,643	30,838
Financial liabilities:						
Senior Notes	688,246	700,000	709,500	685,704	700,000	718,500
Mortgage indebtedness	160,752	163,638	150,091	174,846	177,850	165,296

(1) Carrying amounts represent the book value of financial instruments and include unamortized premiums (discounts).
(2) Face value represents amounts contractually due under the terms of the respective agreements.

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The Company determined the fair value of financial instruments as of December 31, 2016 whose carrying amounts do not approximate their fair value with valuation methods utilizing the following types of inputs (in thousands):

	Total	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Loans receivable	$51,914	$ —	$ —	$ 51,914
Preferred equity investments	48,332	—	—	48,332
Financial liabilities:				
Senior Notes	709,500	—	709,500	—
Mortgage indebtedness	150,091	—	—	150,091

Disclosure of the fair value of financial instruments is based on pertinent information available to the Company at the applicable dates and requires a significant amount of judgment. Despite increased capital market and credit market activity, transaction volume for certain financial instruments remains relatively low. This has made the estimation of fair values difficult and, therefore, both the actual results and the Company's estimate of fair value at a future date could be materially different.

Items Measured at Fair Value on a Recurring Basis

During the year ended December 31, 2016, the Company recorded the following amounts measured at fair value (in thousands):

	Total	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring Basis:				
Financial assets:				
Interest rate swap	$8,083	$ —	$ 8,083	$ —
Cross currency swap	3,157	—	3,157	—
Financial liabilities:				
Contingent consideration liability	818	—	—	818
Interest rate swap	716	—	716	—

The Company's contingent consideration arrangements are the result of four acquisitions of real estate (see Note 4, "Real Estate Properties Held for Investment"). In order to determine the fair value of the Company's contingent consideration arrangements, the Company used significant inputs not observable in the market to estimate the contingent consideration. In addition to using an appropriate discount rate, the Company used projections provided by the facilities to estimate future earnings at the facilities, then developed probability-weighted scenarios of the potential future performance of the facilities and the resulting payout from these scenarios. As of December 31, 2016, the contingent consideration liability was valued at $0.8 million and the contingent consideration asset was determined to have a value of $0.

The following reconciliation provides the details of activity for contingent consideration liability recorded at fair value using Level 3 inputs (in thousands):

Balance as of December 31, 2014	$3,900
Decrease in contingent liability	(1,200)
Balance as of December 31, 2015	$2,700
Decrease in contingent liability	(1,876)
Foreign currency translation	(6)
Balance as of December 31, 2016	$818

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The following reconciliation provides the details of activity for contingent consideration asset recorded at fair value using Level 3 inputs (in thousands):

Balance as of December 31, 2014	$—
Increase in contingent asset	350
Balance as of December 31, 2015	$350
Decrease in contingent asset	(350)
Balance as of December 31, 2016	—

A corresponding amount equal to the decreases in the contingent consideration liability and contingent consideration asset were included as other income on the accompanying consolidated statements of income for the year ended December 31, 2016.

11. EQUITY

Preferred Stock

On March 21, 2013, the Company completed an underwritten public offering of 5.8 million shares of 7.125% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock") at a price of $25.00 per share, pursuant to an effective registration statement. The Company received net proceeds of $138.3 million from the offering, after deducting underwriting discounts and other offering expenses. The Company classified the par value as preferred equity on its consolidated balance sheets with the balance of the liquidation preference, net of any issuance costs, recorded as an increase in paid-in capital.

The holders of the Company's Series A Preferred Stock rank senior to the Company's common stock with respect to dividend rights and rights upon the Company's liquidation, dissolution or winding up of its affairs. At December 31, 2016, there were no dividends in arrears.

The Series A Preferred Stock does not have a stated maturity date, but the Company may redeem the Series A Preferred Stock on or after March 21, 2018, for $25.00 per share, plus any accrued and unpaid dividends. The Company may redeem the Series A Preferred Stock prior to March 21, 2018, in limited circumstances to preserve its status as a REIT or pursuant to a specified change of control. Upon the occurrence of a specified change of control, each holder of Series A Preferred Stock will have the right to convert some or all of the shares of Series A Preferred Stock held by such holder into a number of shares of the Company's common stock equivalent to $25.00 plus accrued and unpaid dividends, but not to exceed a cap of 1.7864 shares of common stock per share of Series A Preferred Stock (subject to certain adjustments).

Common Stock

On June 30, 2015, the Company completed an underwritten public offering of 5.9 million newly issued shares of its common stock pursuant to an effective registration statement. The Company received net proceeds, before expenses, of $147.9 million from the offering, after giving effect to the issuance and sale of all 5.9 million shares of common stock, at a price of $25.06 per share. These proceeds were primarily used to repay borrowings outstanding under the Prior Revolving Credit Facility.

Other Common Stock Issuances

The following is a summary of the Company's other common stock issuances during the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
Vesting of common stock units	103,279	235,334

Upon any payment of shares as a result of restricted stock unit vestings, the participant is required to satisfy the related tax withholding obligation. The 2009 Performance Incentive Plan provides that the Company has the right, at its option, to (a) require the participant to pay such tax withholding or (b) reduce the number of shares to be delivered by a number of shares necessary to satisfy the related minimum applicable statutory tax withholding obligation. During the years ended December 31, 2016 and 2015, pursuant to advance elections made by certain participants, the

Company incurred $1.5 million and $5.0 million, respectively, in tax withholding obligations that were satisfied through a reduction in the number of shares delivered to those participants.

Accumulated Other Comprehensive Loss

The following is a summary of the Company’s accumulated other comprehensive loss (in thousands):

	Year Ended December 31,	
	2016	2015
Foreign currency translation	$(3,067)	$(1,433)
Unrealized gains (losses) on cash flow hedges	1,269	(5,900)
Total accumulated other comprehensive loss	$(1,798)	$(7,333)

12. STOCK-BASED COMPENSATION

All stock-based awards are subject to the terms of the 2009 Performance Incentive Plan, which was assumed by the Company effective as of November 15, 2010 in connection with the Company's separation from Sun and amended and restated in June 2013. The 2009 Performance Incentive Plan provides for the granting of stock-based compensation, including stock options, time-based stock units, funds from operations-based stock units ("FFO Units"), relative total stockholder return-based stock units ("TSR Units") and performance based restricted stock units to officers, employees and directors in connection with their employment with or services provided to the Company.

Stock Options

The total intrinsic value of stock options exercised was $0.7 million during the year ended December 31, 2014. The exercise price for the stock options exercised during the year ended December 31, 2014 was paid through the withholding of shares. The total fair value of stock options that vested during the year ended December 31, 2014 was $0.2 million. The Company had no stock options outstanding during the years ended December 31, 2016 and 2015 .

Restricted Stock Units and Performance-Based Restricted Stock Units

Under the 2009 Performance Incentive Plan, restricted stock units and performance-based restricted stock units generally have a contractual life or vest over a three- to five-year period. The vesting of certain restricted stock units may accelerate, as defined in the grant, upon retirement, a change in control and other events. When vested (and subject to any applicable deferral or holdback period), each performance-based restricted stock unit is convertible into one share of common stock, subject to any deferrals in issuance pursuant to the grant. The restricted stock units are valued on the grant date based on the market price of the Company's common stock on that date. Generally, the Company recognizes the fair value of the awards over the applicable vesting period as compensation expense. In addition, since the shares to be issued may vary based on the performance of the Company, the Company must make assumptions regarding the projected performance criteria and the shares that will ultimately be issued. The amount of FFO Units that will ultimately vest is dependent on the amount by which the Company's funds from operation ("FFO") differs from a target FFO amount for a period specified in each grant and will range from 0% to 250% of the FFO Units initially granted. Similarly, the amount of TSR Units that will ultimately vest is dependent on the amount by which the total shareholder return ("TSR") of the Company's common stock differs from a predefined peer group for a period specified in each grant and will range from 0% to 200% of the TSR Units initially granted. Upon any payment of restricted stock units, the participant is required to pay the related tax withholding obligation. The 2009 Performance Incentive Plan provides that unless otherwise elected in advance by the participant, the Company will reduce the number of shares to be delivered to pay the related statutory tax withholding obligation. The value of the shares withheld is dependent on the closing price of the Company's common stock on the date the relevant transaction occurs.

The following table summarizes additional information concerning restricted stock units at December 31, 2016:

	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Unit
Unvested as of December 31, 2015	732,756	$ 21.37
Granted	393,532	22.05
Vested	(214,671)	22.01
Dividends reinvested	73,888	22.07
Cancelled/Forfeited	(81,538)	21.13
Unvested as of December 31, 2016	903,967	$ 21.58

As of December 31, 2016, the weighted average remaining vesting period of restricted stock units was 2.2 years. The weighted average fair value per share at the date of grant for restricted stock units for the years ended December 31, 2016, 2015 and 2014 was $22.05, $21.11 and $25.88, respectively. The total fair value of units vested during the years ended December 31, 2016, 2015 and 2014 was $4.7 million, $8.5 million and $9.6 million, respectively.

The fair value of the TSR Units are estimated on the date of grant using a Monte Carlo valuation model that uses the assumptions noted in the table below. The risk-free rate is based on the U.S. Treasury yield curve in effect at the grant date for the expected performance period. Expected volatility was based on historical volatility for the most recent 3-year period ending on the grant date for the Company and the selected peer companies, and calculated on a daily basis. The following are the key assumptions used in this valuation:

	2016	2015	2014
Risk Free Interest Rate	0.78% - 1.60%	0.87% - 1.31%	1.07% - 1.09%
Expected Stock Price Volatility	27.40% - 28.42%	23.55% - 27.02%	24.14% - 24.22%
Expected Service Period	2.3 - 3.0 years	2.5 - 3.0 years	3.0 years
Expected Dividend Yield (assuming full reinvestment)	— %	— %	— %

During the years ended December 31, 2016, 2015 and 2014, the Company recognized $7.5 million, $6.1 million and $9.9 million, respectively, of stock-based compensation expense. As of December 31, 2016, there was $10.4 million of total unrecognized stock-based compensation expense related to unvested awards, which is expected to be recognized over a weighted average period of 2.6 years.

Employee Benefit Plan

The Company maintains a 401(k) plan that allows for eligible participants to defer compensation, subject to certain limitations imposed by the Internal Revenue Code of 1986, as amended (the “Code”). The Company provides a discretionary matching contribution of up to 3% of each participant's eligible compensation. During the years ended December 31, 2016, 2015 and 2014, the Company's matching contributions were approximately $73,000, $35,000 and $51,000, respectively.

13. INCOME TAXES

The Company elected to be treated as a REIT with the filing of its U.S. federal income tax return for the taxable year beginning January 1, 2011. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of our taxable ordinary income. In addition, the Company is required to meet certain asset and income tests. As a REIT, the Company generally will not be subject to corporate level federal income tax on taxable income that it distributes to its stockholders. The Company also elected to treat certain of its consolidated subsidiaries as taxable REIT subsidiaries, which are subject to federal, state and foreign income taxes.

The Company is subject to corporate income tax on built-in gains (the excess of fair market value over tax basis on properties held by Sabra as of the date Sabra elected to be taxed as a REIT, or January 1, 2011) on taxable dispositions of properties acquired in the Company's separation from Sun occurring within a specified period (generally five years) following the election to be taxed as a REIT. As of January 1, 2011, the built-in-gains tax associated with the Company’s properties totaled approximately $145.8 million assuming a 40% corporate tax rate. This built-in gains tax is generally not payable on dispositions of property to the extent the proceeds from such dispositions are reinvested in qualifying like-kind replacement property as defined under various provisions of the Code. The Company does not expect to dispose of any properties held by Sabra at the Separation Date if such a disposition would result in the imposition of a material tax liability. Gains from asset

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dispositions occurring more than five years after the acquisition will not be subject to this corporate-level tax. As a result, the Company has not recorded a deferred tax liability associated with this corporate-level tax.

As a result of acquisitions in Canada during 2015, the Company was subject to income taxes under the laws of Canada. The Company recorded a $0.7 million income tax benefit during each of the years ended December 31, 2016 and 2015, with respect to its Canadian operations. Due to uncertainty over the Company's ability to utilize this income tax benefit in future periods, the Company recorded a valuation allowance of $0.7 million against the deferred tax benefit during each of the years ended December 31, 2016 and 2015.

The following is a reconciliation of the Company’s beginning and ending unrecognized tax benefits (in thousands):

Balance at December 31, 2014	$24,212
Additions (reductions) based on prior years’ tax positions	—
Additions (reductions) based on 2015 tax positions	—
Balance at December 31, 2015	$24,212
Additions (reductions) based on prior years’ tax positions	(24,212)
Additions (reductions) based on 2016 tax positions	—
Balance at December 31, 2016	$—

During the 2016 fiscal year the full amount of unrecognized tax benefits were released due to the lapse of applicable statute of limitations. The Company does not anticipate that the balance in unrecognized tax benefits will change materially in fiscal year 2017. We classify interest and penalties from significant uncertain tax positions as interest expense and operating expenses, respectively, in our consolidated financial statements. For the years ended December 31, 2016, 2015, and 2014, we had no such interest or penalties. With certain exceptions, the tax year 2013 and thereafter remain open to examination by the major taxing jurisdictions with which the Company files tax returns.

14. EARNINGS PER COMMON SHARE

The following table illustrates the computation of basic and diluted earnings per share (in thousands, except share and per share amounts):

	Year Ended December 31,		
	2016	2015	2014
Numerator			
Net income attributable to common stockholders	$60,034	$ 69,171	$ 36,710
Denominator			
Basic weighted average common shares and common equivalents	65,284,256	62,235,014	46,351,544
Dilutive stock options and restricted stock units	236,421	225,225	537,987
Diluted weighted average common shares	65,520,677	62,460,239	46,889,531
Net income attributable to common stockholders, per:			
Basic common share	$0.92	$ 1.11	$ 0.79
Diluted common share	$0.92	$ 1.11	$ 0.78

During the years ended December 31, 2016, 2015 and 2014, approximately 128,000, 76,000 and 54,000 restricted stock units, respectively, were not included because they were anti-dilutive. No stock options were outstanding during the years ended December 31, 2016 and 2015 and no stock options were considered anti-dilutive during the year ended December 31, 2014.

15.SUMMARIZED CONSOLIDATING INFORMATION

In connection with the offerings of the Senior Notes by the Issuers, the Company and certain 100% owned subsidiaries of the Company (the "Guarantors") have, jointly and severally, fully and unconditionally guaranteed the Senior Notes, subject to release under certain customary circumstances as described below. These guarantees are subordinated to all existing and future senior debt and senior guarantees of the Guarantors and are unsecured. The Company conducts all of its business through and derives virtually all of its income from its subsidiaries. Therefore, the Company's ability to make required payments with respect to its indebtedness (including the Senior Notes) and other obligations depends on the financial results and condition of its subsidiaries and its ability to receive funds from its subsidiaries.

A Guarantor will be automatically and unconditionally released from its obligations under the guarantees with respect to the Senior Notes in the event of:

- Any sale of the subsidiary Guarantor or of all or substantially all of its assets;
- A merger or consolidation of a subsidiary Guarantor with an issuer of the Senior Notes or another Guarantor, provided that the surviving entity remains a Guarantor;
- A subsidiary Guarantor is declared "unrestricted" for covenant purposes under the Senior Notes Indentures;
- The requirements for legal defeasance or covenant defeasance or to discharge the Senior Notes Indentures have been satisfied;
- A liquidation or dissolution, to the extent permitted under the Senior Notes Indentures, of a subsidiary Guarantor; and
- The release or discharge of the guaranty that resulted in the creation of the subsidiary guaranty, except a discharge or release by or as a result of payment under such guaranty.

Pursuant to Rule 3-10 of Regulation S-X, the following summarized consolidating information is provided for the Company (the "Parent Company"), the Issuers, the Guarantors, and the Company's non-Guarantor subsidiaries with respect to the Senior Notes. This summarized financial information has been prepared from the books and records maintained by the Company, the Issuers, the Guarantors and the non-Guarantor subsidiaries. The summarized financial information may not necessarily be indicative of the results of operations or financial position had the Issuers, the Guarantors or non-Guarantor subsidiaries operated as independent entities. Sabra's investments in its consolidated subsidiaries are presented based upon Sabra's proportionate share of each subsidiary's net assets. The Guarantor subsidiaries' investments in the non-Guarantor subsidiaries and non-Guarantor subsidiaries' investments in Guarantor subsidiaries are presented under the equity method of accounting. Intercompany activities between subsidiaries and the Parent Company are presented within operating activities on the consolidating statement of cash flows.

Consolidating financial statements for the Company and its subsidiaries, including the Parent Company only, the Issuers, the combined Guarantor subsidiaries and the combined non-Guarantor subsidiaries, are as follows:

CONSOLIDATING BALANCE SHEET
December 31, 2016
(in thousands, except share and per share amounts)

	Parent Company	Issuers	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Elimination	Consolidated
Assets						
Real estate investments, net of accumulated depreciation	$150	$—	$1,828,629	$181,160	$—	$2,009,939
Loans receivable and other investments, net	(410)	—	96,446	—	—	96,036
Cash and cash equivalents	18,168	—	2,675	4,820	—	25,663
Restricted cash	—	—	57	8,945	—	9,002
Prepaid expenses, deferred financing costs and other assets, net	2,859	18,023	95,740	10,566	(1,909)	125,279
Intercompany	368,281	686,376	—	—	(1,054,657)	—
Investment in subsidiaries	640,238	908,253	12,364	—	(1,560,855)	—
Total assets	$1,029,286	$1,612,652	$2,035,911	$205,491	$(2,617,421)	$2,265,919
Liabilities						
Mortgage notes, net	$—	$—	$—	$160,752	$—	$160,752
Revolving credit facility	—	26,000	—	—	—	26,000
Term loans, net	—	243,626	92,047	—	—	335,673
Senior unsecured notes, net	—	688,246	—	—	—	688,246
Accounts payable and accrued liabilities	13,712	14,542	11,333	1,961	(1,909)	39,639
Intercompany	—	—	1,048,309	6,348	(1,054,657)	—
Total liabilities	13,712	972,414	1,151,689	169,061	(1,056,566)	1,250,310
Total Sabra Health Care REIT, Inc. stockholders' equity:	1,015,574	640,238	884,222	36,395	(1,560,855)	1,015,574
Noncontrolling interests	—	—	—	35	—	35
Total equity	1,015,574	640,238	884,222	36,430	(1,560,855)	1,015,609
Total liabilities and equity	$1,029,286	$1,612,652	$2,035,911	$205,491	$(2,617,421)	$2,265,919

CONSOLIDATING BALANCE SHEET
December 31, 2015
(in thousands, except share and per share amounts)

	Parent Company	Issuers	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Elimination	Consolidated
Assets						
Real estate investments, net of accumulated depreciation	$48	$—	$1,874,394	$165,174	$—	$2,039,616
Loans receivable and other investments, net	—	—	302,282	—	(2,105)	300,177
Cash and cash equivalents	2,548	—	456	4,430	—	7,434
Restricted cash	—	—	1,788	8,025	—	9,813
Prepaid expenses, deferred financing costs and other assets, net	2,047	13,384	91,225	7,996	(2,855)	111,797
Intercompany	489,763	918,209	—	—	(1,407,972)	—
Investment in subsidiaries	568,841	792,065	8,855	—	(1,369,761)	—
Total assets	$1,063,247	$1,723,658	$2,279,000	$185,625	$(2,782,693)	$2,468,837
Liabilities						
Mortgage notes	$—	$—	$10,766	$164,080	$—	$174,846
Revolving credit facility	—	255,000	—	—	—	255,000
Term loans, net	—	200,000	64,229	—	—	264,229
Senior unsecured notes, net	—	685,704	—	—	—	685,704
Accounts payable and accrued liabilities	9,477	14,113	11,392	2,056	(1,856)	35,182
Intercompany	—	—	1,399,041	8,931	(1,407,972)	—
Total liabilities	9,477	1,154,817	1,485,428	175,067	(1,409,828)	1,414,961
Total Sabra Health Care REIT, Inc. stockholders' equity	1,053,770	568,841	793,572	10,452	(1,372,865)	1,053,770
Noncontrolling interests	—	—	—	106	—	106
Total equity	1,053,770	568,841	793,572	10,558	(1,372,865)	1,053,876
Total liabilities and equity	$1,063,247	$1,723,658	$2,279,000	$185,625	$(2,782,693)	$2,468,837

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CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2016
(in thousands, except share and per share amounts)

	Parent Company	Issuers	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Elimination	Consolidated
Revenues:						
Rental income	$ —	$—	$ 206,406	$ 21,197	$ (2,328)	$ 225,275
Interest and other income	3	—	27,712	1	(253)	27,463
Resident fees and services	—	—	—	7,788	—	7,788
Total revenues	3	—	234,118	28,986	(2,581)	260,526
Expenses:						
Depreciation and amortization	816	—	60,910	6,746	—	68,472
Interest	—	54,589	3,497	6,787	—	64,873
Operating expenses	—	—	—	8,066	(2,363)	5,703
General and administrative	16,218	57	3,284	359	—	19,918
Provision for doubtful accounts and loan losses	(1,376)	—	6,498	421	—	5,543
Impairment of real estate	—	—	29,811	—	—	29,811
Total expenses	15,658	54,646	104,000	22,379	(2,363)	194,320
Other income (expense):						
Loss on extinguishment of debt	—	(468)	(88)	—	—	(556)
Other income (expense)	7,366	(196)	3,507	—	—	10,677
Net (loss) gain on sales of real estate	—	—	(6,143)	21	—	(6,122)
Total other income (expense)	7,366	(664)	(2,724)	21	—	3,999
Income in subsidiary	78,783	134,093	6,840	—	(219,716)	—
Net income	70,494	78,783	134,234	6,628	(219,934)	70,205
Net loss attributable to noncontrolling interest	—	—	—	71	—	71
Net income attributable to Sabra Health Care REIT, Inc.	70,494	78,783	134,234	6,699	(219,934)	70,276
Preferred stock dividends	(10,242)	—	—	—	—	(10,242)
Net income attributable to common stockholders	$ 60,252	$ 78,783	$ 134,234	$ 6,699	$ (219,934)	$ 60,034
Net income attributable to common stockholders, per:						
Basic common share						$ 0.92

Diluted common share	$ 0.92
Weighted-average number of common shares outstanding, basic	65,284,251
Weighted-average number of common shares outstanding, diluted	65,520,672

CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2015
(in thousands, except share and per share amounts)

	Parent Company	Issuers	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Elimination	Consolidated
Revenues:						
Rental income	$ —	$—	$ 190,582	$ 20,470	$ (1,201)	$ 209,851
Interest and other income	2	334	25,472	1	(304)	25,505
Resident fees and services	—	—	—	3,508	—	3,508
Total revenues	2	334	216,054	23,979	(1,505)	238,864
Expenses:						
Depreciation and amortization	47	—	57,141	5,891	—	63,079
Interest	—	52,208	1,536	5,735	(261)	59,218
Operating expenses	—	—	—	3,789	(1,213)	2,576
General and administrative	14,910	30	8,566	359	—	23,865
Provision for doubtful accounts and loan losses	1,291	—	11,551	—	—	12,842
Total expenses	16,248	52,238	78,794	15,774	(1,474)	161,580
Other income (expense):						
Other income (expense)	—	1,651	(101)	710	—	2,260
Net loss on sales of real estate	—	—	(161)	—	—	(161)
Total other income (expense)	—	1,651	(262)	710	—	2,099
Income in subsidiary	95,690	145,943	8,368	—	(250,001)	—
Net income	79,444	95,690	145,366	8,915	(250,032)	79,383
Net loss attributable to noncontrolling interest	—	—	—	30	—	30
Net income attributable to Sabra Health Care REIT, Inc.	79,444	95,690	145,366	8,945	(250,032)	79,413
Preferred stock dividends	(10,242)	—	—	—	—	(10,242)
Net income attributable to common stockholders	$ 69,202	$95,690	$ 145,366	$ 8,945	$ (250,032)	$ 69,171
Net income attributable to common stockholders, per:						
Basic common share						$ 1.11
Diluted common share						$ 1.11
Weighted-average number of common shares outstanding, basic						62,235,014

Weighted-average number of common shares outstanding, diluted	62,460,239

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CONSOLIDATING STATEMENT OF INCOME
For the Year Ended December 31, 2014
(in thousands, except share and per share amounts)

	Parent Company	Issuers	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Elimination	Consolidated
Revenues:						
Rental income	$ —	$—	$ 142,249	$ 19,234	$—	$ 161,483
Interest and other income	9	—	19,357	1	—	19,367
Resident fee and services	—	—	—	2,668	—	2,668
Total revenues	9	—	161,606	21,903	—	183,518
Expenses:						
Depreciation and amortization	52	—	37,645	5,635	—	43,332
Interest	—	37,129	4,642	5,187	—	46,958
Operating expenses	—	—	—	1,930	—	1,930
General and administrative	17,922	2	5,561	330	—	23,815
Provision for doubtful accounts and write-offs	600	—	2,994	—	—	3,594
Total expenses	18,574	37,131	50,842	13,082	—	119,629
Other income (expense):						
Loss on extinguishment of debt	—	(21,846)	(472)	(136)	—	(22,454)
Other income	—	—	1,560	—	—	1,560
Gain on sale of real estate	—	—	3,914	—	—	3,914
Total other income (expense)	—	(21,846)	5,002	(136)	—	(16,980)
Income in subsidiary	65,517	124,494	5,698	—	(195,709)	—
Net income	46,952	65,517	121,464	8,685	(195,709)	46,909
Net loss attributable to noncontrolling interest	—	—	—	43	—	43
Net income attributable to Sabra Health Care REIT, Inc.	46,952	65,517	121,464	8,728	(195,709)	46,952
Preferred stock dividends	(10,242)	—	—	—	—	(10,242)
Net income attributable to common stockholders	$ 36,710	$65,517	$ 121,464	$ 8,728	$(195,709)	$ 36,710
Net income attributable to common stockholders, per:						
Basic common share						$ 0.79
Diluted common share						$ 0.78
						46,351,544

Weighted-average number of common shares outstanding, basic	
Weighted-average number of common shares outstanding, diluted	46,889,531

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2016
(in thousands)

	Parent Company	Issuers	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Elimination	Consolidated
Net income	$ 70,494	$78,783	$ 134,234	$ 6,628	$(219,934)	$ 70,205
Other comprehensive income (loss):						
Foreign currency translation	—	(2,080)	364	82	—	(1,634)
Unrealized loss on cash flow hedge	—	7,169	—	—	—	7,169
Total other comprehensive loss	—	5,089	364	82	—	5,535
Comprehensive income	70,494	83,872	134,598	6,710	(219,934)	75,740
Comprehensive loss attributable to noncontrolling interest	—	—	—	71	—	71
Comprehensive income attributable to Sabra Health Care REIT, Inc.	$ 70,494	$83,872	$ 134,598	$ 6,781	$(219,934)	$ 75,811

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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2015
(in thousands)

	Parent Company	Issuers	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Elimination	Consolidated
Net income	$ 79,444	$95,690	$145,366	$ 8,915	$(250,032)	$ 79,383
Other comprehensive income (loss):						
Foreign currency translation	—	5,530	(5,495)	(1,468)	—	(1,433)
Unrealized loss on cash flow hedge	—	(4,358)	—	—	—	(4,358)
Total other comprehensive income (loss)	—	1,172	(5,495)	(1,468)	—	(5,791)
Comprehensive income	79,444	96,862	139,871	7,447	(250,032)	73,592
Comprehensive loss attributable to noncontrolling interest	—	—	—	30	—	30
Comprehensive income attributable to Sabra Health Care REIT, Inc.	$ 79,444	$96,862	$139,871	$ 7,477	$(250,032)	$ 73,622

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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2014
(in thousands)

	Parent Company	Issuers	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Elimination	Consolidated
Net income	$ 46,952	$65,517	$ 121,464	$ 8,685	$(195,709)	$ 46,909
Other comprehensive income (loss):						
Unrealized loss on cash flow hedge	—	(1,542)	—	—	—	(1,542)
Total other comprehensive loss	—	(1,542)	—	—	—	(1,542)
Comprehensive income	46,952	63,975	121,464	8,685	(195,709)	45,367
Comprehensive loss attributable to noncontrolling interest	—	—	—	43	—	43
Comprehensive income attributable to Sabra Health Care REIT, Inc.	$ 46,952	$63,975	$ 121,464	$ 8,728	$(195,709)	$ 45,410

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CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(in thousands)

	Parent Company	Issuers	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$ 153,577	$ —	$ 12,074	$ 11,088	$ —	$ 176,739
Cash flows from investing activities:						
Acquisitions of real estate	—	—	(133,797)	(19,782)	—	(153,579)
Origination and fundings of loans receivable	—	—	(9,675)	—	—	(9,675)
Origination and fundings of preferred equity investments	—	—	(7,348)	—	—	(7,348)
Additions to real estate	(124)	—	(502)	(377)	—	(1,003)
Repayment of loan receivable	—	—	215,962	—	—	215,962
Investment in Subsidiary	(200)	(200)	—	—	400	—
Net proceeds from sale of real estate	—	—	97,407	599	—	98,006
Distribution from Subsidiary	6,404	6,404	—	—	(12,808)	—
Intercompany financing	(23,484)	165,842	—	—	(142,358)	—
Net cash (used in) provided by investing activities	(17,404)	172,046	162,047	(19,560)	(154,766)	142,363
Cash flows from financing activities:						
Net repayment from revolving credit facility	—	(229,000)	—	—	—	(229,000)
Proceeds from term loan	—	45,000	24,360	—	—	69,360
Principal payments on mortgage notes	—	—	(10,766)	(4,002)	—	(14,768)
Payments of deferred financing costs	—	(5,326)	(611)	—	—	(5,937)
Issuance of common stock	(1,289)	—	—	—	—	(1,289)
Dividends paid on common and preferred stock	(119,264)	—	—	—	—	(119,264)
Contribution from Parent	—	200	—	200	(400)	—
Distribution to Parent	—	(6,404)	—	(6,404)	12,808	—
Intercompany financing	—	23,484	(184,957)	19,115	142,358	—
Net cash (used in) provided by financing activities	(120,553)	(172,046)	(171,974)	8,909	154,766	(300,898)
Net increase in cash and cash equivalents	15,620	—	2,147	437	—	18,204
Effect of foreign currency translation on cash and cash equivalents	—	—	72	(47)	—	25
Cash and cash equivalents, beginning of period	2,548	—	456	4,430	—	7,434
Cash and cash equivalents, end of period	$ 18,168	$ —	$ 2,675	$ 4,820	$ —	$ 25,663

CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(in thousands)

	Parent Company	Issuers	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$112,291	$ —	$ 820	$ 7,990	$ —	$ 121,101
Cash flows from investing activities:						
Acquisitions of real estate	—	—	(450,082)	(11,248)	—	(461,330)
Origination and fundings of loans receivable	—	—	(49,687)	—	—	(49,687)
Preferred equity investments	—	—	(12,804)	—	—	(12,804)
Additions to real estate	(34)	—	(1,286)	(2,369)	—	(3,689)
Investment in Subsidiary	(414)	(414)	—	—	828	—
Distribution from Subsidiary	3,515	3,515	—	—	(7,030)	—
Intercompany financing	(200,884)	(387,652)	—	—	588,536	—
Repayment of note receivable	—	—	5,803	—	—	5,803
Release of contingent consideration held in escrow	—	—	5,240	—	—	5,240
Net proceeds from sale of real estate	—	—	27,241	—	—	27,241
Net cash (used in) provided by investing activities	(197,817)	(384,551)	(475,575)	(13,617)	582,334	(489,226)
Cash flows from financing activities:						
Net proceeds from revolving credit facility	—	187,000	—	—	—	187,000
Proceeds from term loan	—	—	73,242	—	—	73,242
Proceeds from mortgage notes	—	—	—	28,735	—	28,735
Principal payments on mortgage notes	—	—	—	(3,132)	—	(3,132)
Payments of deferred financing costs	—	(232)	(740)	(480)	—	(1,452)
Contributions by noncontrolling interest	—	—	—	179	—	179
Issuance of common stock	139,403	—	—	—	—	139,403
Dividends paid on common and preferred stock	(109,897)	—	—	—	—	(109,897)
Contribution from Parent	—	414	—	414	(828)	—
Distribution to Parent	—	(3,515)	—	(3,515)	7,030	—
Intercompany financing	—	200,884	402,745	(15,093)	(588,536)	—
Net cash provided by (in used) financing activities	29,506	384,551	475,247	7,108	(582,334)	314,078
Net (decrease) increase in cash and cash equivalents	(56,020)	—	492	1,481	—	(54,047)
Effect of foreign currency translation on cash and cash equivalents	(231)	—	(36)	(45)	—	(312)
Cash and cash equivalents, beginning of period	58,799	—	—	2,994	—	61,793
Cash and cash equivalents, end of period	$2,548	$ —	$ 456	$ 4,430	$ —	$ 7,434

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CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(in thousands)

	Parent Company	Issuers	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Elimination	Consolidated
Net cash provided by operating activities	$ 53,292	$ —	$ —	$ 32,045	$ —	$ 85,337
Cash flows from investing activities:						
Acquisitions of real estate	—	—	(763,378)	(8,101)	—	(771,479)
Origination and fundings of loans receivable	—	—	(66,397)	—	—	(66,397)
Preferred equity investments	—	—	(15,486)	—	—	(15,486)
Additions to real estate	(11)	—	(1,437)	(23)	—	(1,471)
Repayment of loans receivable	—	—	1,097	—	—	1,097
Net proceeds from the sale of real estate	—	—	27,264	—	—	27,264
Investment in Subsidiary	(12,147)	(12,147)	—	—	24,294	—
Distribution from Subsidiary	1,246	1,246	—	—	(2,492)	—
Intercompany financing	(415,790)	(958,970)	—	—	1,374,760	—
Net cash (used in) provided by investing activities	(426,702)	(969,871)	(818,337)	(8,124)	1,396,562	(826,472)
Cash flows from financing activities:						
Proceeds from issuance of senior unsecured notes	—	499,250	—	—	—	499,250
Principal payments on senior unsecured notes	—	(211,250)	—	—	—	(211,250)
Net proceeds (repayment) from revolving credit facility	—	268,000	(135,500)	—	—	132,500
Proceeds from mortgage notes	—	—	—	57,703	—	57,703
Principal payments on mortgage notes	—	—	—	(89,110)	—	(89,110)
Payments of deferred financing costs	—	(12,820)	(5,133)	(1,178)	—	(19,131)
Issuance of common stock	510,147	—	—	—	—	510,147
Dividends paid on common and preferred stock	(81,489)	—	—	—	—	(81,489)
Contribution from Parent	—	12,147	—	12,147	(24,294)	—
Distribution to Parent	—	(1,246)	—	(1,246)	2,492	—
Intercompany financing	—	415,790	958,970	—	(1,374,760)	—
Net cash provided by (used in) financing activities	428,658	969,871	818,337	(21,684)	(1,396,562)	798,620
Net increase in cash and cash equivalents	55,248	—	—	2,237	—	57,485
Cash and cash equivalents, beginning of period	3,551	—	—	757	—	4,308
Cash and cash equivalents, end of period	$ 58,799	$ —	$ —	$ 2,994	$ —	$ 61,793

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16.PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following table summarizes, on an unaudited pro forma basis, the consolidated results of operations of the Company for the years ended December 31, 2016 and 2015. During the year ended December 31, 2016, the Company acquired one skilled nursing/transitional care facility and three senior housing facilities that were accounted for as business combinations. During the year ended December 31, 2015, the Company acquired four skilled nursing/transitional care facilities and 20 senior housing facilities which were all accounted for as business combinations. The following unaudited pro forma information has been prepared to give effect to the acquisitions completed during the year ended December 31, 2016 and December 31, 2015 as if these acquisitions occurred on January 1, 2015 and 2014, respectively. This pro forma information does not purport to represent what the actual results of operations of the Company would have been had these acquisitions occurred on January 1, 2015 and 2014, nor does it purport to predict the results of operations for future periods (in thousands, except share and per share amounts):

	Year Ended December 31,	
	2016	2015
Revenues	$266,727	$276,978
Depreciation and amortization	70,316	74,101
Net income attributable to common stockholders	65,530	99,004
Net income attributable to common stockholders, per:		
Basic common share	1.00	1.59
Diluted common share	1.00	1.59
Weighted average number of common shares outstanding, basic	65,284,251	62,235,014
Weighted average number of common shares outstanding, diluted	65,520,672	62,460,239

Expensed acquisition pursuit costs of $1.1 million related to the acquisitions completed during year the ended December 31, 2016 are not expected to have a continuing impact and, therefore, have been excluded from the pro forma results for the year ended December 31, 2016.

17.COMMITMENTS AND CONTINGENCIES

Environmental

As an owner of real estate, the Company is subject to various environmental laws of federal, state and local governments. The Company is not aware of any environmental liability that could have a material adverse effect on its financial condition or results of operations. However, changes in applicable environmental laws and regulations, the uses and conditions of properties in the vicinity of the Company’s properties, the activities of its tenants and other environmental conditions of which the Company is unaware with respect to the properties could result in future environmental liabilities. As of December 31, 2016, the Company does not expect that compliance with existing environmental laws will have a material adverse effect on the Company’s financial condition and results of operations.

Income Taxes

As a result of the Company’s separation from Sun effective November 15, 2010 (the “Separation Date”), the Company is the surviving taxpayer for income tax purposes. Accordingly, tax positions taken prior to the Separation Date remained the Company’s obligations after the Separation Date. Sun agreed to indemnify the Company against, among other things, federal, state and local taxes (including penalties and interest) related to periods prior to the Separation Date to the extent the deferred tax assets allocated to the Company are not sufficient and/or cannot be utilized to satisfy these taxes.

Effective December 1, 2012, Sun was acquired by Genesis HealthCare LLC. As a result of its acquisition Sun, Genesis HealthCare LLC became successor to the obligations of Sun described above. Effective February 2, 2015, Genesis HealthCare LLC combined with Skilled Healthcare Group, Inc. and now operates under the name Genesis Healthcare, Inc.

Legal Matters

From time to time, the Company is party to legal proceedings that arise in the ordinary course of its business. Management is not aware of any legal proceedings where the likelihood of a loss contingency is reasonably possible and the amount or range of reasonably possible losses is material to the Company's results of operations, financial condition or cash flows.

18. SUBSEQUENT EVENTS

The Company evaluates subsequent events up until the date the consolidated financial statements are issued.

Dividend Declaration

On February 3, 2017, the Company announced that its board of directors declared a quarterly cash dividend of $0.42 per share of common stock. The dividend will be paid on February 28, 2017 to stockholders of record as of the close of business on February 15, 2017.

Also on February 3, 2017, the Company announced that its board of directors declared a quarterly cash dividend of $0.4453125 per share of Series A Preferred Stock. The dividend will be paid on February 28, 2017 to stockholders of record as of the close of business on February 15, 2017.

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
December 31, 2016
(dollars in thousands)

	Balance at Beginning of Year	Charged to Earnings	Uncollectible Accounts Written-off	Foreign Currency Translation due to Charges	Balance at End of Year
Year ended December 31, 2016					
Allowance for doubtful accounts	$ 3,811	$ 235	$ (353)	$ —	$ 3,693
Straight-line rent receivable allowance	5,331	3,540	(5,191)	(12)	3,668
Loan loss reserves	4,300	1,768	(3,318)	—	2,750
	$ 13,442	$ 5,543	$ (8,862)	$ (12)	$ 10,111
Year ended December 31, 2015					
Allowance for doubtful accounts	$ —	$ 3,811	$ —	$ —	$ 3,811
Straight-line rent receivable allowance	600	4,731	—	—	5,331
Loan loss reserves	—	4,300	—	—	4,300
	$ 600	$ 12,842	$ —	$ —	$ 13,442
Year ended December 31, 2014					
Straight-line rent receivable allowance	—	600	—	—	600

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SCHEDULE III
REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
December 31, 2016
(dollars in thousands)

				Initial Cost to Company			Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period						Li W De in Inc Sta Co
Description	Location	Ownership Percentage	Encumbrances	Land	Building and Improvements(1)	Total		Land	Building and Improvements(2)(3)	Total	Accumulated Depreciation and Amortization	Original Date of Construction/ Renovation	Date Acquired	
Skilled Nursing/Transitional Care Facilities														
New Martinsville	New Martinsville, WV	100%	—	$475	$10,543	$11,018	—	$475	$10,355	$10,830	$(4,059)	1982	11/15/10	39
Glenville	Glenville, WV	100%	—	484	2,839	3,323	—	484	2,729	3,213	(754)	1982/2006/2015	11/15/10	40
Renaissance Terrace	Harriman, TN	100%	—	76	4,459	4,535	—	76	3,943	4,019	(1,905)	1985/1989, 2008	11/15/10	38
Greenwood	Warwick, RI	100%	—	2,066	10,178	12,244	—	2,066	9,810	11,876	(4,194)	1964/2009	11/15/10	24
Forest Hills (SNF)	Broken Arrow, OK	100%	(4)	1,653	11,259	12,912	—	1,653	10,951	12,604	(4,017)	1994/2008, 2009/2010, 2015	11/15/10	40
Seminole Estates	Seminole, OK	100%	—	655	3,527	4,182	—	655	3,259	3,914	(888)	1987	11/15/10	32
Bryan Care	Bryan, OH	100%	—	1,278	6,477	7,755	—	1,278	6,081	7,359	(2,102)	1976	11/15/10	30
Sylvania	Sylvania, OH	100%	—	942	5,627	6,569	—	942	5,178	6,120	(2,323)	1967/1974, 1986, 1995, 2008, 2009	11/15/10	24
Point Place	Toledo, OH	100%	—	1,089	5,364	6,453	—	1,089	5,109	6,198	(1,462)	1995/2011	11/15/10	36
Perrysburg	Perrysburg, OH	100%	—	987	5,358	6,345	—	987	4,996	5,983	(1,710)	1984	11/15/10	32
Forest View	Dayton, OH	100%	—	819	4,214	5,033	—	819	3,945	4,764	(1,681)	1968	11/15/10	24
New Lebanon	New Lebanon, OH	100%	—	784	4,243	5,027	—	784	3,797	4,581	(1,418)	1979	11/15/10	28
New Lexington	New Lexington, OH	100%	—	63	3,487	3,550	—	63	3,138	3,201	(2,095)	1981	11/15/10	20
Twin Rivers	Defiance, OH	100%	—	280	3,004	3,284	—	280	2,758	3,038	(1,000)	1980	11/15/10	30
San Juan	Farmington, NM	100%	9,709	799	4,163	4,962	3	799	3,866	4,665	(1,512)	1963/1993	11/15/10	24
McKinley Care	Gallup, NM	100%	5,506	409	1,865	2,274	4	409	1,768	2,177	(687)	1968	11/15/10	24
Bedford Hills	Bedford, NH	100%	6,316	1,911	12,245	14,156	—	1,911	11,391	13,302	(3,641)	1992/2010	11/15/10	36
Exeter on Hampton	Exeter, NH	100%	—	2,365	2,350	4,715	—	2,365	691	3,056	(373)	1976/2011	11/15/10	40

Pheasant Wood	Petersborough, NH	100%	—	625	3,986	4,611	—	625	3,479	4,104	(1,443)	1975/2016	11/15/10	28
Westwood	Keene, NH	100%	—	699	3,823	4,522	—	699	3,346	4,045	(1,623)	1965/2010	11/15/10	24
Colonial Hill	Rochester, NH	100%	—	412	3,960	4,372	—	412	3,644	4,056	(1,532)	1986/2010	11/15/10	44
Crestwood Care	Milford, NH	100%	—	557	3,441	3,998	—	557	3,007	3,564	(1,293)	1972	11/15/10	28
Applewood	Winchester, NH	100%	—	348	3,075	3,423	—	348	2,673	3,021	(963)	1987	11/15/10	32
The Elms Care	Milford, NH	100%	—	312	1,679	1,991	—	312	1,480	1,792	(801)	1890/2005	11/15/10	20
Woodland Hill	Asheboro, NC	100%	—	1,706	8,053	9,759	—	1,706	7,612	9,318	(2,378)	1987/2009	11/15/10	32
Missouri River	Great Falls, MT	100%	11,064	2,023	16,967	18,990	—	2,023	16,516	18,539	(6,741)	1960/1990, 2010	11/15/10	30
Butte Care	Butte, MT	100%	—	1,092	12,654	13,746	—	1,092	12,469	13,561	(4,308)	1974/2012	11/15/10	35
Whitefish Care	Whitefish, MT	100%	—	651	6,339	6,990	—	651	6,206	6,857	(2,230)	1973/2012	11/15/10	35

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Description	Location	Ownership Percentage	Encumbrances	Initial Cost to Company: Land / Building and Improvements[(1)] / Total; Cost Capitalized Subsequent to Acquisition; Gross Amount at which Carried at Close of Period: Land / Building and Improvements / Total[(2)(3)]; Accumulated Depreciation and Amortization	Original Date of Construction/ Renovation	Date Acquired	Life on Which Depreciation in Latest Income Statement is Computed
Deer Lodge	Deer Lodge, MT	100%	4,218	9,03,222 19,963,16,3279,973		11/15/10	30
Twin Oaks	Danvers, MA	100%	—	85,510,985 84,5,6,8,2,9,3,8,1	1969	11/15/10	24
Maplewood	Amesbury, MA	100%	—	74,550,321 73,7,1,0,4,8,1,5,0	1968/2010	11/15/10	24
Saugus	Saugus, MA	100%	—	28,564,928 28,503,9,2,4,9,3	1967	11/15/10	24
Kensington Manor	Elizabethtown, KY	100%	—	17,854,387 17,8,6,4,5,9,0,2,3,3	2001/2010	11/15/10	37
Regency Care	Louisville, KY	100%	—	15,1,9,8,9,1,5,5,8,7,1,6,4,8,2,0,2,7,1	1960/2014	11/15/10	25
Countryside Care	Bardwell, KY	100%	—	24,979,029 24,9,1,8,6,6,7,3,0	1993/2010	11/15/10	35
Bradford Square	South Frankfort, KY	100%	—	73,848,622 73,4,6,7,2,4,1,4,4	1960/1990	11/15/10	25
Hillside Villa	Madisonville, KY	100%	—	24,7,2,4,2,5,4,9 23,7,8,1,0,0,8,7,6,2,5	1962/1978, 1997	11/15/10	25
Klondike Care	Louisville, KY	100%	—	76,5,4,7,6,4,0 76,4,2,3,2,9,8,6,2,2,0	1974/1980, 1994, 1995, 2008	11/15/10	28
Colonial Manor	Bowling Green, KY	100%	—	79,2,0,5,0,8,4,2 79,2,7,5,3,5,4,5,1,1	1963	11/15/10	25
Barkley Center	Paducah, KY	100%	—	34,2,5,0,4,9,4,4 33,2,5,9,3,7,7,0,9,5	1999/2014	11/15/10	35
Hopkins Care	Woodburn, KY	100%	—	59,2,2,2,7,8,6,9 59,2,0,2,0,6,8,3,1	1960	11/15/10	25
Bridge Point	Florence, KY	100%	—	—2,2,2,8,2,7,8 —1,5,2,1,1,5,0,9,0,8	1969/2008, 2009, 2010	11/15/10	20
Magnolia Village	Bowling Green, KY	100%	—	16,2,9,6,4,3— 12,8,6,3,0,0,2,0,9	1991	11/15/10	29
Decatur Township	Indianapolis, IN	100%	—	63,7,3,4,4,0,3 63,7,4,3,0,1,2,1,9,9	1985/2016	11/15/10	32
Gooding/Bennett Hills	Gooding, ID	100%	—	—1,7,1,1,7,3,1 —1,7,1,1,9,7,0,9,2,3	1968/2009	11/15/10	40
Fountain City	Columbus, GA	100%	—	23,5,7,9,7,0,5,0 21,5,9,0,2,4,1,6,7,3,1,4	1970/2012	11/15/10	40
Etowah Landing	Rome, GA	100%	—	48,4,2,8,8,5— 46,7,4,7,1,7,5,3,1	1973/1977, 1987	11/15/10	40
Oakhurst	Ocala, FL	100%	—	18,4,2,9,4,2,6,8,6 17,4,5,7,4,9,8,2,8,5,6,3	1984/2010	11/15/10	32
Orchard Ridge	New Port Richey, FL	100%	—	53,6,6,8,5,2,2,1 53,3,2,6,5,8,8,0,4,8,0,3	1983/1995, 2012	11/15/10	32
Bay Tree		100%	—	74,8,6,5,0,6,5,6 74,8,6,3,5,1,0,9,6,6,3	1981	11/15/10	32

	Palm Harbor, FL							
West Bay	Oldsmar, FL	100%	—	74,56,435	74,5 10,8,85,471	1982/2010	11/15/10	32
Sunset Point	Clearwater, FL	100%	—	70,65,076	73,6 14,762,501	1983	11/15/10	32
Arden House	Hamden, CT	100%	19,222,581,066		22,25,85,608,642	1973/2008, 2010	11/15/10	28
Pope John Paul	Danbury, CT	100%	—	13,713,702	12,626,604	1983/2009	11/15/10	32
St. Camillus	Stamford, CT	100%	—	12,512,528	11,413,131,745	1987/2008	11/15/10	32
Madison House	Madison, CT	100%	—	48,361,4,501	47,3,7,15,2,05,320	1994/2009, 2010	11/15/10	36
Willows (CT)	Woodbridge, CT	100%	—	19,8,961,799	19,8,1380,086,873	1989/2011	11/15/10	32
The Reservoir	West Hartford, CT	100%	—	19,2,0450,661	19,2,0940,2,9784	1995/2009, 2011	11/15/10	36
Glen Hill	Danbury, CT	100%	—	97,1,807,935	96,1,8,42,7,934,27,882	1963/2009	11/15/10	24

Description	Location	Ownership Percentage	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Building and Improvements[1]	Initial Cost to Company: Total	Cost Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period: Land	Gross Amount at which Carried at Close of Period: Building and Improvements	Gross Amount at which Carried at Close of Period: Total[2][3]	Accumulated Depreciation and Amortization	Original Date of Construction/ Renovation	Date Acquired	Life on Which Depreciation in Latest Income Statement is Computed
Governor's House	Simsbury, CT	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1895/2008, 2010	11/15/10	20
Elms Haven	Thornton, CO	100%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1987/1989, 1997, 2007, 2008/2016	11/15/10	40
Sable	Aurora, CO	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1973	11/15/10	35
Carmichael	Carmichael, CA	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1960/1976, 2010	11/15/10	40
Willows (CA)	Willows, CA	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1969/2010, 2015	11/15/10	40
Washington Care	San Leandro, CA	100%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1969/2010	11/15/10	40
Lake Drive	Henryetta, OK	100%	—	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	1968	11/15/10	10
Mineral Springs	North Conway, NH	100%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1988/2009	11/15/10	43
Wolfeboro	Wolfeboro, NH	100%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1984/1986, 1987, 2009	11/15/10	41
Edmondson Care	Brownsville, KY	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1994/2009	11/15/10	35
Heartland Villa	Lewisport, KY	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1994/2009	11/15/10	35
Meridian Care	Meridian, ID	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1997/2009	11/15/10	39
St. Joseph's	Trumbull, CT	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1959	11/15/10	24
Broadmeadow Healthcare	Middletown, DE	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2005	08/01/11	40
Capitol Healthcare	Dover, DE	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1996/2016	08/01/11	40
Pike Creek Healthcare	Wilmington, DE	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2009	08/01/11	40
Renaissance Healthcare	Millsboro, DE	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2008	08/01/11	40
Clara Burke	Plymouth Meeting, PA	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1927/1990, 2007/2016	03/30/12	40
Warrington	Warrington, PA	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1958/2009/2016	03/30/12	40
Ridgecrest	Duffield, VA	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1981/2013	05/10/12	40

Camden Care Center	Minneapolis, MN	100%	—	[illegible]	1990	11/30/12	40
Arbrook Plaza	Arlington, TX	100%	—	[illegible]	[illegible]02/2012	11/30/12	40
Northgate Plaza	Irving, TX	100%	—	[illegible]	[illegible]03/2012, 2015	11/30/12	40
Gulf Pointe Plaza	Rockport, TX	100%	—	[illegible]	2002/2012	11/30/12	40
Gateway Senior Living	Lincoln, NE	100%	—	[illegible]	[illegible]62/1996/2013	02/14/14	40
Legacy	Fremont, NE	100%	—	[illegible]	[illegible]08	02/14/14	40
Pointe	Fremont, NE	100%	—	[illegible]	1970/1979/1983/1994	02/14/14	40
Regency	South Sioux City, NE	100%	—	[illegible]	1954/1968/1975/2000/2004	02/14/14	40

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Description	Location	Ownership Percentage	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Building and Improvements(1)	Initial Cost to Company: Total	Cost Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period: Land	Gross Amount at which Carried at Close of Period: Building and Improvements(2)	Gross Amount at which Carried at Close of Period: Total(3)	Accumulated Depreciation and Amortization	Original Date of Construction/ Renovation	Date Acquired	Life on Which Depreciation in Latest Income Statement is Computed
Parkmoor Village	Colorado Springs, CO	100%	—	410,70,133 (overprinted)			—	410,70,10,3,3 (overprinted)			(1,281	1985	03/05/14	40
Onion Creek	Austin, TX	100%	—	871,81,4,3,714 (overprinted)			—	871,81,4,3,7 (overprinted)			(920	2011	10/21/14	40
Adams PARC	Barlesville, OK	100%	—	16,398,4,236 (overprinted)			—	16,398,4,236 (overprinted)			(470	1989	10/29/14	40
PARCway	Oklahoma City, OK	100%	—	2,1,3,8,9,6,756 (overprinted)			—	2,1,3,8,9,6,7,5 (overprinted)			(1,642	1963/1984	10/29/14	40
Brookhaven Extensive Care	Norman, OK	100%	—	85,9,26,6,105 (overprinted)			—	85,9,26,6,105 (overprinted)			(598	2001/2013	10/29/14	40
St. Thomas More Medical Complex	Hyattsville, MD	100%	—	6,6,3,5,4,3,7,3,916 (overprinted)			—	6,6,3,5,4,3,7,3,9 (overprinted)			(2,696	1950/1976, 2008	06/30/15	40
Bay Ridge Healthcare Center	Annapolis, MD	100%	—	1,4,0,4,8,2,3,21 (overprinted)			—	1,4,0,4,8,2,3,21 (overprinted)			(1,708	1964/1993, 2012	06/30/15	40
NMS Healthcare of Silver Spring	Wheaton, MD	100%	—	6,5,6,8,9,5,73 (overprinted)			—	6,5,6,8,9,5,7,3 (overprinted)			(2,349	1966/1991, 2012	06/30/15	40
NMS Healthcare of Hagerstown	Hagerstown, MD	100%	—	1,5,6,7,5,3,7,12 (overprinted)			—	1,5,6,7,5,3,7,1 (overprinted)			(1,270	1953/1975, 2014	11/25/15	40
NMS Healthcare of Springbrook	Silver Spring, MD	100%	—	9,6,3,0,8,5,048 (overprinted)			—	9,6,3,0,8,5,0,4 (overprinted)			(562	1965/2015	07/26/16	40
				102,99,6,3,0,5,6,8,2,5,5,9,1,3,2,0,6,7,4,9,7,5,4,038 (overprinted)										
Senior Housing														
Monroe House	Moses Lake, WA	100%	—	— 182	182	—	—	43	43	(33		1997	11/15/10	15
Forest Hills (ALF)	Broken Arrow, OK	100%	(4)	1,3,8,9,8,7,30 (overprinted)			—	1,3,8,7,8,5,5,7 (overprinted)			(1,612	2000	11/15/10	30
Langdon Place of Exeter	Exeter, NH	100%	3,365	7,1,1,8,3,754 (overprinted)			—	5,6,4,1,7,9,0,5 (overprinted)			(2,230	1987	11/15/10	43
Langdon Place of Nashua	Nashua, NH	100%	5,330	5,65,4,654 (overprinted)			—	4,914,9,1 (overprinted)			(1,429	1989	11/15/10	40
	Keene, NH	100%	4,733	0,4,9,2,96 (overprinted)			—	3,0,4,5,9,1,8,9 (overprinted)			(1,383	1995	11/15/10	46

Langdon Place of Keene								
Langdon Place of Dover	Dover, NH	100%	4,17800,0,6837	80,19,1992,928		1987/2009	11/15/10	42
Clipper Harbor	Portsmouth, NH	100%	— 84,68,2478—	84,964,8102,803		1986/2009	11/15/10	43
Heritage Place	Owensboro, KY	100%	— 65,8402160—	65,8156781,369		2001	11/15/10	38
Glen Crest	Danbury, CT	100%	— 16,36660022—	16,35649002,161		1986	11/15/10	32
Village at Northrise	Las Cruces, NM	100%	— 16,4003435—	15,423666082,581		1998/1999, 2010	11/15/10	29
Age-Well Senior Living	Green Bay, WI	100%	— 25,6225118,03	25,6235496	966	2004/2011	11/22/11	40
New Dawn Memory Care	Aurora, CO	100%	— 2,18,7452,9703	2,18,7457,013,472		2009	09/20/12	40
Independence Village at Frankenmuth	Frankenmuth, MI	100%	— 5,20,2929,956	5,20,2929,96,2604		1982/2008	09/21/12	40
Gulf Pointe Village	Rockport, TX	100%	— 7,8971,396—	7,8971,396	121	1996	11/30/12	40
Aspen Ridge Retirement Village	Gaylord, MI	100%	— 25,042,4791—	25,042,4791	793	2002	12/14/12	40
Green Acres of Cadillac	Cadillac, MI	100%	— 23,7,00,2117—	23,7002,17	368	2001/2006	12/14/12	40
Green Acres of Greenville	Greenville, MI	100%	— 65,84,652516—	65,84,6525,16	712	1999/2001, 2012, 2013	12/14/12	40

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Description	Location	Ownership Percentage	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Building and Improvements[1]	Initial Cost to Company: Total	Cost Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period: Land	Gross Amount at which Carried at Close of Period: Building and Improvements	Gross Amount at which Carried at Close of Period: Total[2][3]	Accumulated Depreciation and Amortization	Original Date of Construction/ Renovation	Date Acquired	Life on Which Depreciation in Latest Income Statement is Computed
Green Acres of Manistee	Manistee, MI	100%	—	925,2578,530			—	925,2578,530			(348)	2002	12/14/12	40
Green Acres of Mason	Mason, MI	100%	—	149,8314,329			—	149,8314,3029			(528)	2009/2012	12/14/12	40
Nottingham Place	Midland, MI	100%	—	714,4725,4890			1	724,4425,8891			(941)	1995/2015	12/14/12	40
Royal View	Mecosta, MI	100%	—	302,7427,784			—	302,7427,784			(347)	2001	12/14/12	40
Tawas Village	East Tawas, MI	100%	—	235,8713,945			1	235,8754,016			(616)	2005	12/14/12	40
Turning Brook	Alpena, MI	100%	—	546,139,685			—	546,139,685			(443)	2006/2008, 2010	12/14/12	40
Stoney River Marshfield	Marshfield, WI	100%	—	587,793,307			—	587,793,307			(003)	2010	12/18/12	40
Greenfield of Woodstock	Woodstock, VA	100%	—	597,465,062			—	597,465,062			(557)	1996/2015	06/28/13	40
Nye Square	Fremont, NE	100%	—	507,4680,174			—	507,4680,174			(476)	1989/2002	02/14/14	40
The Meadows	Norfolk, NE	100%	—	291,906,123			—	291,906,123			(862)	1989/1991, 1994	02/14/14	40
Park Place	Fort Wayne, IN	100%	13,623,001,352,154,7					23,086,216,906				2011/2016	04/30/14	40
Parkview In Allen	Allen, TX	100%	—	245,9467,957			—	245,9467,957			(912)	2004/2010	09/25/14	40
The Atrium At Gainesville	Gainesville, FL	100%	—	241,3989,928			—	241,3989,928			(899)	1986/2013, 2015	09/25/14	40
The Chateau	Mckinney, TX	100%	—	247,6497,157			—	247,6497,157			(862)	2006/2010	09/25/14	40
Gardens At Wakefield Plantation	Raleigh, NC	100%	—	233,4596,850			—	233,4596,850			(045)	2002/2014	09/25/14	40
Las Brisas	San Luis Obispo, CA	100%	—	439,9265,901			—	439,9265,901			(009)	1987/2006, 2015	09/25/14	40
Creekside Terrace	Winston-Salem, NC	100%	—	229,4528,423			—	229,4528,423			(619)	2001	09/25/14	40
Colonial Village	Longview, TX	100%	—	826,4798,303			—	826,4798,303			(731)	1985/2010	09/25/14	40
Garden Village	Kansas City, MO	100%	—	123,2510,835			—	123,2510,835			(411)	1983	09/25/14	40

Desert Rose	Yuma, AZ	100%	—	5310,2725,305	5310,7225,6105,438	1996/2014	09/25/14	40
Windland South	Nashville, TN	100%	—	1,1996,3618,364	1,1996,3618,3616,4366	1986/2000	09/25/14	40
Cedar Woods	Branford, CT	100%	—	2,148,081,1224	2,148,0821,1022,4241	1987	09/25/14	40
Virginian	Richmond, VA	100%	—	1,1098,3005,625	1,1098,5045,6125,308	1989/2007	09/25/14	40
Monarch Estates	Auburn, AL	100%	—	3,127,0920,6535	3,127,09206,6135,192	2001	09/25/14	40
Village At The Falls	Menomonee Falls, WI	100%	—	1,1487,2708,255	1,1487,7208,2015,5288	2005/2006, 2007/2011	09/25/14	40
Holiday At The Atrium	Glenville, NY	100%	—	9178,2197,235	9178,2159,7013,5222	2001/2014	09/25/14	40
Lake Ridge Village	Eustis, FL	100%	—	1,1175,5128,3675	1,1175,5128,3617,5197	1984/1988, 2013	09/25/14	40
Heritage Village	Mcallen, TX	100%	—	4,1039,8123,915	4,1039,8123,0915,79	1988	09/25/14	40
Madison Meadows	Phoenix, AZ	100%	—	2,1526,0149,596	2,1526,0124,96,8973	1986	09/25/14	40
South Wind Heights	Jonesboro, AR	100%	—	1,1178,2134,026	1,1178,2143,4082,064	1999	09/25/14	40
Harrison Regent	Ogden, UT	100%	—	7194,8173,667	7194,8173,6764,78	1985/2016	09/25/14	40
Avalon MC - Boat Club	Fort Worth, TX	100%	—	3859,1286,485	3859,1286,4855,24	1996/2015	09/29/14	40

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Description	Location	Ownership Percentage	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Building and Improvements[(1)]	Initial Cost to Company: Total	Cost Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period: Land	Gross Amount at which Carried at Close of Period: Building and Improvements	Gross Amount at which Carried at Close of Period: Total[(2)(3)]	Accumulated Depreciation and Amortization	Original Date of Construction/ Renovation	Date Acquired	Life on Which Depreciation in Latest Income Statement is Computed
Avalon MC - 7200	Arlington, TX	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1988/2014	09/29/14	40
Avalon MC - 7204	Arlington, TX	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1988/2014	09/29/14	40
Avalon MC - 7140	Arlington, TX	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2011	09/29/14	40
Delaney Creek Lodge	Brandon, FL	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1999/2016	10/01/14	40
Nature Coast Lodge	Lecanto, FL	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1997/2016	10/01/14	40
West Winds	Zephyrhills, FL	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2008/2016	10/01/14	40
Capital Place	Olympia, WA	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1986/2016	10/07/14	40
Tudor Heights	Baltimore, MD	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1920/1997, 2015	10/14/14	40
New Haven AL	Schertz, TX	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2012	04/10/15	40
Cherry Park	Penticton, BC	100%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1990/1991, 2014	06/11/15	40
Orchard Valley	Vernon, BC	100%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1990/2008	06/11/15	40
The Shores	Kamloops, BC	100%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1992/2014	06/11/15	40
Kensington Court	Windsor, ON	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1998	06/11/15	40
Masonville Manor	London, ON	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1998/2015	06/11/15	40
Okanagan Chateau	Kelowna, BC	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1990	06/11/15	40
Court at Laurelwood	Waterloo, ON	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2005/2015	06/11/15	40
Fairwoods Lodge	Sarnia, ON	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2000	06/11/15	40
Birmingham Lodge	Mount Forest, ON	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1974/1976/1980	06/11/15	40
Life's Journey of Mattoon	Mattoon, IL	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2006/2008	09/01/15	40
Life's Journey of Pana	Pana, IL	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1998/2012	09/01/15	40
Life's Journey of Taylorville	Taylorville, IL	100%	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2012/2014	09/01/15	40
	Mattoon, IL	100%	—	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	1997	09/01/15	40

Life's Journey Estates								
Life's Journey of Paris	Paris, IL	100%	—	[illegible]	[illegible]	1998/2013	09/01/15	40
Ashley Pointe	Lake Stevens, WA	100%	—	[illegible]	[illegible]	1998/2012	09/17/15	40
Farmington Square Eugene	Eugene, OR	100%	—	[illegible]	[illegible]	1996/1997, 2011	09/17/15	40
Farmington Square Tualatin	Tualatin, OR	100%	—	[illegible]	[illegible]	1995/1997	09/17/15	40
Farmington Square of Salem	Salem, OR	100%	—	[illegible]	[illegible]	1989/1995	09/17/15	40
Maison Senior Living	Calgary, AB	100%	—	[illegible]	[illegible]	2013	09/17/15	40
Colorado Springs	Colorado Springs, CO	100%	—	[illegible]	[illegible]	2013	11/16/15	40
Sun City West	Sun City West, AZ	100%	—	[illegible]	[illegible]	2012	07/01/16	40
Poet's Walk at Fredericksburg	Fredericksburg, VA	100%	—	[illegible]	[illegible]	2016	07/14/16	40
Poet's Walk at Chandler Oaks	Round Rock, TX	100%	—	[illegible]	[illegible]	2016	08/01/16	40

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				Initial Cost to Company				Gross Amount at which Carried at Close of Period			
Description	Location	Ownership Percentage	Encum-brances(1)	Land	Building and Improve-ments(1)	Total	Cost Capitalized Subsequent to Acquisition	Land	Building and Improve-ments(2)(3)	Total	A D an A
The Montecito Santa Fe	Santa Fe, NM	100%	—	2,536	19,441	21,977	—	2,536	19,441	21,977	(1
The Golden Crest	Franklin, NH	100%	—	292	6,889	7,181	—	292	6,889	7,181	(1
Poet's Walk at Henderson	Henderson, NV	100%	—	1,430	21,850	23,280	—	1,430	21,850	23,280	(5
Kruse Village	Brenham, TX	100%	—	476	11,912	12,388	—	476	11,912	12,388	(3
			48,590	106,519	1,081,415	1,187,934	4,925	105,946	1,082,005	1,187,951	(8
Acute Care Hospital											
Texas Regional Medical Center	Sunnyvale, TX	100%	—	4,020	57,620	61,640	—	4,020	57,620	61,640	(1
			—	4,020	57,620	61,640	—	4,020	57,620	61,640	(1
Multi-property Indebtedness			12,072	—	—	—	—	—	—	—	—
			163,638	220,615	2,102,616	2,323,231	7,220	220,042	2,072,303	2,292,345	(2
Corporate Assets			—	—	136	136	270	—	406	406	(2
			$163,638	$220,615	$2,102,752	$2,323,367	$7,490	$220,042	$2,072,709	$2,292,751	$(

(1) Encumbrances do not include deferred financing costs of $2.9 million as of December 31, 2016.
(2) Building and building improvements include land improvements and furniture and equipment.
(3) The aggregate cost of real estate for federal income tax purposes was $2.3 billion.
(4) Property serves as collateral for a mortgage loan totaling $12.1 million as of December 31, 2016.

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SABRA HEALTH CARE REIT, INC.
SCHEDULE III
REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
(dollars in thousands)

	Year Ended December 31,		
	2016	2015	2014
Real estate:			
Balance at the beginning of the period	$2,277,457	$1,831,799	$1,066,496
Acquisitions	150,782	482,125	792,510
Real estate acquired through loan receivable foreclosure	10,100	—	—
Addition due to consolidation of variable interest entity	—	10,700	—
Improvements	1,003	3,689	1,471
Impairment	(39,058)	—	—
Sale of real estate	(107,930)	(29,395)	(23,265)
Foreign currency translation	4,623	(16,944)	—
Write-off of fully depreciated assets	(4,226)	(4,517)	(5,413)
Balance at the end of the year	$2,292,751	$2,277,457	$1,831,799
Accumulated depreciation:			
Balance at the beginning of the period	$(237,841)	$(185,994)	$(151,078)
Depreciation expense	(64,463)	(59,864)	(42,021)
Impairment	9,247	—	—
Sale of real estate	6,023	3,384	1,692
Foreign currency translation	(4)	116	—
Write-off of fully depreciated assets	4,226	4,517	5,413
Balance at the end of the year	$(282,812)	$(237,841)	$(185,994)

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SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
December 31, 2016
(dollars in thousands)

Description	Contractual Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens	Principal Balance	Book Value	Principal Amount of Loans Subject to Delinquent Principal or Interest
Mortgages:							
Weston	9.0 %	2016	(1)	$ —	$ 16,079	$ 16,079	$ 16,079
Ramsey	9.0	2018	(1)	—	13,876	13,887	N/A
Marshfield II	9.0	2018	(1)	—	5,209	5,222	N/A
Madeira	10.0	2017	(2)	—	3,067	3,074	N/A
				—	38,231	38,262	
Loan Loss Allowance				—	—	(1,620)	
				—	38,231	36,642	
Construction Mortgages:							
McKinney	8.0	2021	(3)	—	795	842	N/A
				$ —	$ 39,026	$ 37,484	

(1) Interest and principal for the first 12 months is deferred and due at the maturity date. Interest after the first 12 months is due monthly.
(2) Interest and principal for the first 6 months is deferred and due at the maturity date. Interest after the first 6 months is due monthly.
(3) Interest and principal for the first 36 months is deferred and due at the maturity date. Interest after the first 36 months is due monthly.

Changes in mortgage loans are summarized as follows:

	Year Ended December 31,		
	2016	2015	2014
Balance at the beginning of the period	$ 241,038	$ 209,275	$ 162,870
Additions during period:			
Draws	—	8,713	51,217
New mortgage loans	3,767	20,411	4,500
Interest income added to principal	690	2,639	1,781

Deductions during period:			
Paydowns/Repayments	(206,469)	—	(11,093)
Balance at the end of the year	$39,026	$241,038	$209,275

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Irvine, State of California, on February 22, 2017.

SABRA HEALTH CARE REIT, INC.

By: /S/ RICHARD K. MATROS
Richard K. Matros
Chairman, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Title	Date
/S/ RICHARD K. MATROS Richard K. Matros	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 22, 2017
/S/ HAROLD W. ANDREWS, JR. Harold W. Andrews, Jr. Harold W. Andrews, Jr.	Executive Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	February 22, 2017
/S/ CRAIG A. BARBAROSH Craig A. Barbarosh Craig A. Barbarosh	Director	February 22, 2017
/S/ ROBERT A. ETTL Robert A. Ettl Robert A. Ettl	Director	February 22, 2017
/S/ MICHAEL J. FOSTER Michael J. Foster Michael J. Foster	Director	February 22, 2017
/S/ MILTON J. WALTERS Milton J. Walters	Director	February 22, 2017