GOODRICH PETROLEUM CORP
Form 424B5
December 03, 2007

Table of Contents

Filed pursuant to Rule 424(b)(5)
Registration No. 333-145339

SUBJECT TO COMPLETION, DATED DECEMBER 3, 2007

PROSPECTUS SUPPLEMENT
(To Prospectus dated August 22, 2007)

5,200,000 shares

Common Stock

We are offering 5,200,000 shares of common stock, of which 3,770,000 shares will be offered by the underwriters at a fixed public offering price of $ per share and 1,430,000 shares will be purchased from us on a best efforts basis by Bear, Stearns & Co. Inc. and J.P. Morgan Securities Inc., each acting as agent for one of their respective affiliates (collectively, the variable price sellers). The variable price sellers will offer either themselves or through their broker-dealer affiliates the shares they have purchased from us from time to time at varying prices. See Plan of Distribution. Proceeds of this offering will be used to repay indebtedness and to purchase from affiliates of the variable price sellers call options on our common stock intended to reduce the potential dilution from this offering.

The common stock is listed on the New York Stock Exchange under the symbol GDP. On November 30, 2007, the last reported sale price of our common stock on the New York Stock Exchange was $24.43 per share.

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

	Per Share(1)	Total(1)
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Goodrich Petroleum Corporation (before expenses)	$	$

(1) Excludes the offering of 1,430,000 shares of our common stock. The variable price sellers will have a best efforts obligation to purchase the 1,430,000 shares and will not have a firm commitment to purchase these shares. If the variable price sellers purchase the 1,430,000 shares, the proceeds to Goodrich Petroleum Corporation from these shares is $ per share and $ total. If the variable price sellers do not purchase these shares, Goodrich Petroleum Corporation will not receive any proceeds from these shares. The variable price sellers will purchase these shares, if at all, concurrently with the sale of common stock to the public and, if purchased, will offer these shares either themselves or through their broker-dealer affiliates from time to time at varying prices. There are no escrow arrangements with respect to these shares.

We have granted the underwriters a 30-day option to purchase up to 565,500 shares at the public offering price, less the underwriters discount to cover any over-allotments.

Delivery of the shares will be made on or about , 2007.

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

Joint Book-Running Managers

Bear, Stearns & Co. Inc. **JPMorgan**

Co-Managers

Howard Weil Incorporated

Raymond James

Capital One Southcoast

Johnson Rice & Company L.L.C.

Tudor, Pickering & Co.

BMO Capital Markets

BNP PARIBAS

The date of this prospectus supplement is , 2007.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

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

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

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates of this prospectus supplement or the accompanying prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those dates.

WHERE YOU CAN FIND MORE INFORMATION

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

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

INCORPORATION BY REFERENCE

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

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

our Annual Report on Form 10-K, including information specifically incorporated by reference into our Form 10-K from our Proxy Statement for our Annual Meeting of Stockholders held on May 17, 2007, for the fiscal year ended December 31, 2006;

our Quarterly Reports on Form 10-Q for the three months ended March 31, 2007, June 30, 2007 and September 30, 2007;

our Current Reports on Form 8-K filed on January 5, 2007, January 8, 2007, January 10, 2007, January 19, 2007, March 29, 2007, April 16, 2007, May 21, 2007, May 23, 2007, August 7, 2007, September 6, 2007, September 14, 2007, September 21, 2007, September 28, 2007 and December 3, 2007 (excluding any information furnished pursuant to Item 2.02 or Item 7.01 of any such Current Report on Form 8-K).

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

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

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

anticipated capital expenditures;

production;

hedging arrangements;

future cash flows and borrowings;

litigation matters;

pursuit of potential future acquisition opportunities; and

sources of funding for exploration and development.

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

the volatility of natural gas and oil prices;

the requirement to take writedowns if natural gas and oil prices decline;

our ability to replace, find, develop and acquire natural gas and oil reserves;

our ability to meet our substantial capital requirements;

our outstanding indebtedness;

the uncertainty of estimates of natural gas and oil reserves and production rates;

operating risks of natural gas and oil operations;

dependence upon operations concentrated in the Cotton Valley trend;

delays due to weather or availability of pipeline crews or equipment;

drilling risks;

Table of Contents

- our hedging activities;
- governmental regulation;
- environmental matters;
- competition; and
- our financial results being contingent upon purchasers of our production meeting their obligations.

Other factors that could cause actual results to differ materially from those anticipated are discussed in our periodic filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2006 and the risk factors beginning on page S-11 of this prospectus supplement and on page 4 of the accompanying prospectus.

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

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information from this prospectus supplement and the accompanying prospectus, but may not contain all information that may be important to you. This prospectus supplement and the accompanying prospectus include specific terms of this offering, information about our business and financial data. You should carefully read this prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein in their entirety before making an investment decision. In this prospectus supplement, the terms Goodrich Petroleum Corporation, Goodrich, we, us, our and similar terms mean Goodrich Petroleum Corporation and its subsidiaries. We have provided definitions for some of the oil and gas industry terms used in this prospectus supplement in the Glossary beginning on page S-40 of this prospectus supplement.

Goodrich Petroleum Corporation

We are an independent oil and gas company engaged in the exploration, exploitation, development and production of oil and natural gas properties primarily in the Cotton Valley trend of East Texas and Northwest Louisiana. As of June 30, 2007, Goodrich had estimated proved reserves of approximately 1.7 MMBbls of oil and condensate and 291.7 Bcf of natural gas, or an aggregate of 302.2 Bcfe. For the quarter ended September 30, 2007, we had average net daily production of 46.5 MMcfe, which implies a reserve life index of approximately 17.8 years. Our principal executive offices are located at 808 Travis Street, Suite 1320, Houston, Texas 77002, telephone (713) 780-9494. We also have a land and administration office in Shreveport, Louisiana.

Business Strategy

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

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

Exploit and Develop Existing Property Base. We seek to maximize the value of our existing assets by developing and exploiting our properties with the lowest risk and the highest production and reserve growth potential. We intend to concentrate on developing our multi-year inventory of drilling locations in the Cotton Valley trend. We currently estimate that our Cotton Valley trend inventory includes approximately 1,700 gross non-proved drilling locations, based on anticipated spacing for wells as follows:

- 40 acres, vertical wells only at our Minden, South Henderson and Bethany-Longstreet fields;
- 20 acres, vertical wells only at our Dirgin-Beckville field;
- 60 acres, vertical wells only at our Cotton South and Bethune Prospects in Angelina River Trend; and
- 200 acres, horizontal James Lime wells at our Cotton Prospect only in Angelina River Trend.

Use of Advanced Technologies. We continually perform field studies of our existing properties and reevaluate exploration and development opportunities using advanced technologies. For example, we recently commenced drilling our fourth horizontal Cotton Valley well and third James Lime horizontal well in the Cotton Valley trend and continue to monitor results. With continued success, we intend to pursue additional horizontal drilling opportunities in the future.

Expand Acreage Position in the Cotton Valley Trend. We have increased our acreage position from approximately 163,200 gross (102,000 net) acres at December 31, 2006 to approximately 182,500 gross (117,600 net) acres as of September 30, 2007. We concentrate our efforts in areas where we can apply our technical expertise and where we have significant operational control or experience. To leverage our extensive regional knowledge base, we seek to acquire leasehold acreage with significant drilling potential in the Cotton Valley trend that exhibits similar characteristics to our existing properties. We continually strive to rationalize our portfolio of properties by selling marginal properties in an effort to redeploy capital to exploitation, development and exploration projects that offer a potentially higher overall return.

Focus on Low Operating Costs. We continually seek ways to minimize lease operating expenses and overhead expenses. We will continue to seek to control costs to the greatest extent possible by controlling our operations. As we continue to develop our Cotton Valley trend properties, our overall operating costs per Mcfe are expected to decrease, due primarily to a recently installed low pressure gathering system within our Dirgin-Beckville field of East Texas, which has eliminated the majority of our trucking expenditures associated with salt water disposal in the field, as well as additional cost savings measures.

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

Summary of Oil and Gas Operations and Properties

Cotton Valley Trend

Overview. As of June 30, 2007, approximately 99% of our proved oil and gas reserves were in the Cotton Valley trend of East Texas and Northwest Louisiana. We have spent 100% of our 2007 capital expenditures of $214.3 million through September 30, 2007 in the Cotton Valley trend. As of September 30, 2007, we have acquired or farmed in leases totaling approximately 182,500 gross (117,600 net) acres and are continually attempting to acquire additional acreage in the area. Our total 182,500 gross acres includes company operated acreage comprising 138,800 gross acres (with an average working interest of approximately 86.3% in the wells we have drilled to date) and non-operated acreage comprising 43,700 gross acres (with an average working interest of 40.0% in the wells we have drilled to date). As of September 30, 2007, we have drilled and logged 228 Cotton Valley trend wells with a 99.5% success rate. For the wells completed to date in the Cotton Valley trend, the average initial gross production rate per well was approximately 1,800 Mcfe per day. Initial production from the Cotton Valley trend wells commenced in June 2004, and for the quarter ended September 30, 2007, gross production from all of our Cotton Valley trend wells was approximately 80,000 Mcfe of gas per day. Our current Cotton Valley trend drilling activities are centered around five primary leasehold areas in East Texas and Northwest Louisiana as further described below:

Angelina River. The Angelina River area is located in Angelina, Nacogdoches, and Cherokee Counties, Texas. As of September 30, 2007 we had acquired approximately 67,500 gross (33,000 net) acres in the area. We currently are the operator of approximately 24,000 of the 67,500 gross acres, while owning an average 60% interest in the wells drilled to date. As of September 30, 2007, we have successfully drilled and logged 30 wells in the field.

Bethany-Longstreet. The Bethany-Longstreet field is located in Caddo and DeSoto Parishes in Northwest Louisiana. As of September 30, 2007, we have entered into a farmout or acquired leases totaling approximately 27,900 gross (18,500 net) acres with an average working interest of approximately 70% in the wells we have drilled to date. As of September 30, 2007, we have successfully drilled and logged 25 Cotton Valley trend wells in the field.

Dirgin-Beckville. The Dirgin-Beckville area is located in Rusk County, Texas. As of September 30, 2007, we have acquired leases totaling approximately 12,800 gross (11,700 net) acres with an average working interest of approximately 96.8% in the wells we have drilled to date. As of September 30, 2007, we have successfully drilled and logged 61 Cotton Valley trend wells in the Dirgin-Beckville area.

Table of Contents

North Minden. The North Minden area is located in Panola and Rusk Counties, Texas. As of September 30, 2007, we have acquired leases totaling approximately 30,300 gross (27,600 net) acres with a working interest of approximately 92.0% in the wells we have drilled to date. As of September 30, 2007, we have successfully drilled and logged 82 Cotton Valley trend wells in the North Minden area.

South Henderson. The South Henderson area is located in Rusk County, Texas. As of September 30, 2007, we have acquired leases totaling approximately 13,700 gross (11,300 net) acres with an average working interest of approximately 100.0% in the wells we have drilled to date. As of September 30, 2007, we have successfully drilled and logged 17 Cotton Valley trend wells in the South Henderson area.

Other Cotton Valley Trend. As of September 30, 2007, we also own 30,300 gross (15,500 net) acres in four separate areas of the Cotton Valley trend in Harrison, Smith and Upshur Counties, Texas, and Bienville Parish, Louisiana, with an approximate average working interest of 73.0% in the wells we have drilled to date. As of September 30, 2007, we have successfully drilled and logged 13 Cotton Valley trend wells in the other areas.

Sale of South Louisiana Assets

On March 20, 2007, we completed the sale of substantially all of our assets in South Louisiana to a private company. The sale resulted in total proceeds of $72.5 million, net to the Company, after normal closing adjustments through September 30, 2007, which may be subject to further adjustment. The effective date of the sale was July 1, 2006. We also expect to sell our remaining assets in South Louisiana. The remaining fields held for sale are St. Gabriel, Bayou Bouillon and Plumb Bob, which collectively account for approximately 1.0% of our daily production.

Other Properties

As of November 19, 2007, we maintain ownership interests in acreage and/or wells in several additional fields including the (i) Mary Blevins field, located in Smith County, Texas, (ii) Midway field, located in San Patricio County, Texas, (iii) Mott Slough field, located in Wharton County, Texas and (iv) the Garfield Unit, located in Kalkaska County, Michigan.

Recent Developments

On November 27, 2007, we announced that we had engaged BNP Paribas to syndicate on a best efforts basis up to $100.0 million of senior second lien term loans under a proposed Senior Second Lien Term Loan Facility. The facility will terminate on December 31, 2010. The engagement is subject to customary conditions to closing, including but not limited to negotiation of definitive loan and security documentation, negotiated changes in the syndication process, bank credit committee approvals, and our obtaining certain approvals, waivers and amendments to financial covenants from the lenders under our senior credit facility. We expect to draw down approximately $50.0 million before year end, and we have the option to draw down an additional $50.0 million at any time prior to February 15, 2008.

On November 30, 2007 we and our senior lenders entered into an amendment to our senior credit facility which (i) allows us to enter into a Senior Second Lien Term Loan Facility of up to $100.0 million to mature on December 31, 2010, (ii) permits us to use proceeds from a potential equity offering to purchase capped call options at a cost of up to $35.0 million, (iii) amends certain negative covenants in the event we actually enter into the Senior Second Lien Term Loan Facility before year end, and (iv) potentially decreases the borrowing base available to us from $170.0 million to $150.0 million if we enter into the Senior Second Lien Term Loan Facility.

Table of Contents

THE OFFERING

Shares of Common Stock Offered	5,200,000 shares Of the 5,200,000 shares we are offering: 3,770,000 shares (or 4,335,500 shares if the underwriters exercise their over-allotment option in full) will be offered to the public by the underwriters at the public offering price described on the cover of this prospectus supplement; and an aggregate of 1,430,000 shares will be purchased on a best efforts basis directly from us by Bear, Stearns & Co. Inc. and J.P. Morgan Securities Inc., each acting as agent for one of their respective affiliates (collectively, the variable price sellers), and will be offered to the public by the variable price sellers or through their broker-dealer affiliates from time to time at varying prices.
Shares of Common Stock Outstanding Following this Offering (1)(2)	33,545,983 shares (34,111,483 shares if the underwriters exercise their over-allotment option in full).
Use of Proceeds	We estimate that net proceeds to us from this offering will be approximately $122.2 million, or approximately $135.8 million if the underwriters over-allotment option is exercised in full, in each case after deducting underwriting discounts and the estimated offering expenses. We expect to use the net proceeds of this offering to: pay off approximately $102.1 million of outstanding borrowings under our senior credit facility, which borrowings were primarily incurred to fund our 2007 drilling program, other capital expenditures and working capital requirements and which may be reborrowed to fund capital expenditures related to our Cotton Valley trend drilling program; and purchase a capped call option for 2.6 million shares of our common stock from an affiliate of Bear, Stearns & Co. Inc. and a capped call option for 2.6 million shares of our common stock from an affiliate of J.P. Morgan Securities Inc. for approximately $20.1 million in aggregate, as described under Description of Capped Call Option Transactions. If the variable price sellers do not purchase the 1,430,000 shares to be sold to them, we estimate the net proceeds to us from this offering will be approximately $88.0 million after deducting underwriting discounts and the estimated offering expenses. In such an event, we will not purchase the capped call options from the affiliates of the variable price sellers and we intend to use the net proceeds of the offering to pay off $88.0 million of outstanding borrowings under our senior credit facility, which borrowings were primarily incurred to fund our 2007 drilling program, other capital

expenditures and working capital requirements and which may be reborrowed to fund capital expenditures related to our Cotton Valley trend drilling program.

	If the underwriters exercise their over-allotment option in full, we intend to use the net proceeds thereof to pay off additional outstanding borrowings under our senior credit facility.
Capped Call Option Transactions	Concurrently with the pricing of this offering of common stock, we expect to enter into capped call option transactions with affiliates of the variable price sellers as the two option counterparties. The capped call option transactions will cover, subject to customary anti-dilution adjustments, approximately 5.2 million shares of our common stock. One third of the options will expire over each of three separate multi-day settlement periods beginning approximately 18 months, 24 months and 30 months from the closing of this offering, respectively. The capped call option transactions are expected to result in our receipt, on a net share, cashless basis of a certain number of shares of our common stock if the market value per share of the common stock, as measured under the terms of the capped call option agreement, on the option expiration date for the relevant tranche is greater than the lower call strike price of the capped call option transactions. We refer to the amount by which that market value per share exceeds the lower call strike price as an in-the-money amount for the relevant tranche of the capped call option transaction. The in-the-money amount will never exceed the difference between the upper call strike price and the lower call strike price (i.e., it will be capped). The lower call strike price will correspond to approximately 100% of the price to the public in this offering and the upper call strike price will be approximately 140% of that amount. Both lower and upper call strike prices are subject to customary anti-dilution and certain other adjustments. The number of shares of our common stock that we will receive from the option counterparties upon expiration of each tranche of the capped call option transactions will be equal to the in-the-money amount of that tranche divided by the market value per share of the common stock, as measured under the terms of the capped call option agreement, on the option expiration date for that tranche. The capped call option agreements are separate transactions entered into by us with the option counterparties and are not part of the terms of the offering of common stock. For a discussion of the impact of any market or other activity by the option counterparties, the variable price sellers or their respective affiliates in connection with the capped call option transactions, see Risk Factors Risks Related to Our Common Stock The capped call options that we are purchasing with the net proceeds from this offering and related hedging transactions by the option counterparties may affect the value of our common stock and Plan of Distribution.
Trading Symbol for our Common Stock	Our common stock is listed on the New York Stock Exchange under the symbol GDP.

Risk Factors	You should carefully consider the information set forth in the section of this prospectus supplement and the accompanying prospectus entitled Risk Factors as well as the other information

included in or incorporated by reference in this prospectus before deciding whether to invest in our common stock.

(1) As of November 30, 2007 (a) 2,912,466 shares were reserved for issuance pursuant to our stock option and long-term incentive plans, including 949,333 outstanding options to purchase shares (having a weighted average exercise price of $20.95 per share) and 178,902 shares of unvested restricted stock; (b) 3,587,850 shares of common stock were reserved for issuance upon the conversion of our series B convertible preferred stock, and (c) 3,122,263 shares of common stock were reserved for issuance upon the conversion of our 3.25% convertible senior notes due 2026. The number of outstanding shares may be reduced in the future if the capped call options described under Description of Capped Call Option Transactions are exercised.

(2) Includes 3,122,263 shares lent to an affiliate of Bear, Stearns & Co. Inc. under a share lending agreement and required to be returned to us. See Description of Capital Stock Share Lending Agreement with an Affiliate of Bear, Stearns & Co. Inc.

Table of Contents

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

(in thousands, except per share amounts)

The following table sets forth summary financial data as of and for each of the three years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2006 and 2007. This data was derived from our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2006 (as amended by our Current Report on Form 8-K filed with the SEC on August 7, 2007), and from our unaudited condensed consolidated financial statements included in our quarterly report on Form 10-Q for the nine months ended September 30, 2007, both of which are incorporated by reference herein. The financial data below should be read together with, and are qualified in their entirety by reference to, our historical consolidated financial statements and the accompanying notes and the Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in our Annual Report on Form 10-K (as amended by our Current Report on Form 8-K filed with the SEC on August 7, 2007) and our quarterly report on Form 10-Q for the nine months ended September 30, 2007, incorporated by reference in this prospectus supplement.

	Year Ended December 31,			Nine Months Ended September 30,	
	2004	2005	2006	2006	2007
				(unaudited)	
Revenues:					
Oil and gas revenues	$ 3,759	$ 34,986	$ 73,933	$ 53,864	$ 78,337
Other	151	325	838	683	491
	3,910	35,311	74,771	54,547	78,828
Operating expenses:					
Lease operating expense (1)	306	3,494	12,688	8,274	15,500
Production and other taxes (1)	205	2,136	3,345	3,023	996
Transportation		558	3,791	2,717	4,230
Depletion, depreciation and amortization	1,486	12,214	37,225	25,687	57,603
Exploration	955	5,697	5,888	4,435	5,847
Impairment of oil and gas properties		340	9,886		282
General and administrative	5,821	8,622	17,223	12,248	15,892
(Gain) loss on sale of assets	(50)	(235)	(23)		
	8,723	32,826	90,023	56,384	100,350
Operating income (loss)	(4,813)	2,485	(15,252)	(1,837)	(21,522)
Other income (expense):					
Interest expense	(1,110)	(2,359)	(7,845)	(4,706)	(7,932)
Gain (loss) on derivative instruments not qualifying for hedge accounting	2,317	(37,680)	38,128	34,611	(3,475)
Loss on early extinguishment of debt			(612)		

	1,207	(40,039)	29,671	29,905	(11,407)
Income (loss) from continuing operations before income taxes	(3,606)	(37,554)	14,419	28,068	(32,929)
Income tax (expense) benefit	8,594	13,144	(5,120)	(9,779)	(3,379)
Income (loss) from continuing operations	4,988	(24,410)	9,299	18,289	(36,308)
Discontinued operations including gain on sale, net of income taxes	13,539	6,960	(7,660)	5,782	11,901
Net income (loss)	18,527	(17,450)	1,639	24,071	(24,407)
Preferred stock dividends	633	755	6,016	4,504	4,535
Preferred stock redemption premium			1,545	1,545	
Net income (loss) applicable to common stock	$ 17,894	$ (18,205)	$ (5,922)	$ 18,022	$ (28,942)

Table of Contents

	Year Ended December 31,			Nine Months Ended September 30,	
	2004	2005	2006	2006	2007
				(unaudited)	