CRIMSON EXPLORATION INC.
Form S-1
November 20, 2009

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As filed with the Securities and Exchange Commission on November 20, 2009
Registration No. 333-

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

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CRIMSON EXPLORATION INC.
(Exact name of registrant as specified in its charter)

Delaware	**1311**	**20-3037840**
(State or other jurisdiction of Incorporation)	*(Primary Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

E. Joseph Grady
Senior Vice President and Chief Financial Officer
717 Texas Avenue, Suite 2900
Houston, Texas 77002
(713) 236-7400
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices and agent for service)

Copies to:

J. Michael Chambers
Patrick J. Hurley
Akin Gump Strauss Hauer & Feld LLP
1111 Louisiana Street, Suite 4400
Houston, Texas 77002
(713) 220-5800
(713) 236-0822 (fax)

James M. Prince
Gillian A. Hobson
Vinson & Elkins L.L.P.
1001 Fannin Street, Suite 2500
Houston, Texas 77002
(713) 758-2222
(713) 758-2346 (fax)

Approximate date of commencement of proposed sale to the public: As soon as practical after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. o

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

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

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price[(1)(2)]	Amount of Registration Fee
Common Stock, $0.001 par value[(2)]	$100,000,000	$5,580

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes shares of common stock subject to the underwriters option to purchase additional shares.

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

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated November 20, 2009

PROSPECTUS

Shares

Common Stock

We are offering shares of our common stock. We intend to list our common stock on The NASDAQ Global Market. We anticipate that the initial public offering price per share of common stock will be between $ and $. Our common stock is currently traded on the Over-the-Counter Bulletin Board under the symbol CXPO.OB.

Investing in our common stock involves risks. See Risk Factors beginning on page 15.

	Per Share	Total
Price to the public	$	$
Underwriting discounts and commissions	$	$
Proceeds to us (before expenses)	$	$

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

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. Any representation to the contrary is a criminal offense.

Barclays Capital, on behalf of the underwriters, expects to deliver the shares on or about , 2009.

Barclays Capital

Prospectus dated , 2009

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Except as otherwise indicated herein or as the context otherwise requires, references in this prospectus to Crimson Exploration, Crimson, the Company, our company, we, our, and us refer collectively to Crimson Exploratio predecessor GulfWest Energy Inc. and our subsidiaries.

Our natural gas and crude oil reserve information as of December 31, 2008 included in this prospectus is based on a reserve report prepared by Netherland, Sewell & Associates, Inc., our independent reserve engineering firm. A summary of that report is attached as Appendix B.

Unless otherwise indicated, the information contained in this prospectus assumes that the underwriters do not exercise their option to purchase additional shares from us.

PROSPECTUS SUMMARY

This summary highlights information appearing elsewhere in this prospectus. Because this is a summary, it may not contain all of the information that you should consider before investing in our common stock. You should carefully read the entire prospectus, including the financial data and related notes and the information presented under the caption Risk Factors, before making an investment decision. Certain terms used in this prospectus are defined in the Glossary of Selected Terms beginning on page A-1.

Our Company

Crimson is an independent energy company engaged in the acquisition, exploitation, exploration and development of natural gas and crude oil properties. We have historically focused our operations in the onshore U.S. Gulf Coast and South Texas regions, which are generally characterized by high rates of return in known, prolific producing trends. We have recently expanded our strategic focus to include longer reserve life resource plays that we believe provide significant long-term growth potential in multiple formations.

In late 2008 and early 2009, we acquired approximately 12,000 net acres in East Texas where we completed our first well, the Kardell #1H, in October 2009. This well targeted the Haynesville Shale and initially produced 30.7 MMcfe/d, which we believe to be the highest publicly announced initial production rate to date in that formation. In addition to the Haynesville Shale, we believe this acreage is equally prospective in the Bossier Shale and James Lime formations where industry participants have drilled successful wells on adjacent acreage.

In 2007, we acquired approximately 2,800 net acres in South Texas, which we believe is prospective in the Austin Chalk and the Eagle Ford Shale. We drilled our first well on this acreage, the Dubose #1, during the fourth quarter of 2009, and we are preparing to complete the well in the Eagle Ford Shale.

We intend to grow reserves and production by developing our existing producing property base, developing our East Texas and South Texas resource potential, and pursuing opportunistic acquisitions in areas where we have specific operating expertise. We have developed a significant project inventory of over 800 drilling locations associated with our existing property base. Our technical team has a successful track record of adding reserves through the drillbit. Since January 2008, we have drilled 34 gross (15.2 net) wells with an overall success rate of 91% (excluding one well which has not yet been completed).

As of December 31, 2008, our estimated proved reserves, as prepared by our independent reserve engineering firm, Netherland, Sewell & Associates, Inc., were 131.9 Bcfe, consisting of 96.2 Bcf of natural gas and 6.0 MMBbl of crude oil, condensate and natural gas liquids. As of December 31, 2008, 73% of our proved reserves were natural gas, 69% were proved developed and 81% were attributed to wells and properties operated by us. From 2006 to 2008, we grew our estimated proved reserves from 46.4 Bcfe to 131.9 Bcfe. In addition, we grew our average daily production from 7.3 MMcfe/d for the year ended December 31, 2006 to 43.0 MMcfe/d for the nine months ended September 30, 2009. For the nine months ended September 30, 2009, we generated $55.2 million of Adjusted EBITDAX. Our definition of the non-GAAP financial measure of Adjusted EBITDAX and a reconciliation of net income (loss) to Adjusted EBITDAX are provided under Non-GAAP Financial Measures and Reconciliations. For the same period, our net income (loss) was $(16.8) million.

After application of net proceeds of $ from this offering (estimated based upon the midpoint of the range of the offering price on the cover of this prospectus), we expect to have approximately $ million of available borrowing capacity under our revolving credit facility to pursue our 2010 drilling program. Our 2010 capital budget is approximately $55 million, exclusive of acquisitions, of which we expect to spend approximately 76% of our budget on our East Texas and South Texas resource plays and 24% on our existing producing assets. We plan to drill 12 gross

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(6.0 net) wells in 2010, including 7 gross (3.0 net) wells on our East Texas resource play acreage, one gross (0.4 net) well on our South Texas resource play acreage, and 4 gross (2.6 net) wells in Liberty County. The actual number of wells drilled and the amount of our 2010 capital expenditures will depend on market conditions, commodity prices, availability of capital and drilling and production results.

Our Strategy

The key elements of our business strategy are:

Develop our East Texas resource play. We have approximately 12,000 net acres in San Augustine and Sabine Counties of East Texas, which we believe is prospective in the Haynesville Shale, Bossier Shale and James Lime formations. In November 2009, we announced the completion and initial production of our first well on this acreage, the Kardell #1H. The well tested at 30.7 MMcfe/d, which we believe to be the highest publicly reported 24-hour initial production rate for a Haynesville Shale well in Texas or Louisiana to date and is currently flowing to sales. We believe the Kardell #1H confirms the potential of our Bruin Prospect, which is comprised of 3,000 net acres in San Augustine County, resulting in over 100 potential drilling locations in multiple formations. We are currently in the planning stages of several wells in this area and intend to further evaluate and exploit these multiple formations beginning in early 2010. We have an additional 9,000 net acres outside this prospect within Sabine and San Augustine Counties, and we expect to drill our initial well on that acreage in early 2010. We intend to allocate a substantial portion of our capital budget over the next several years to develop the significant potential that we believe exists on our East Texas acreage. Based on our current capital budget, we expect to drill approximately 7 gross (3.0 net) wells in 2010 that will target the Haynesville and Bossier Shales, while retaining future development opportunities in shallower formations.

Develop our South Texas resource play. We have approximately 2,800 net acres in Bee County, Texas which we believe is prospective in the Austin Chalk and Eagle Ford Shale. In November 2009, we drilled our initial well on this acreage, the Dubose #1. This well is in the process of being completed with results expected prior to year end 2009. We intend to allocate a portion of our capital budget in 2010 to validate the potential we believe exists on our acreage.

Exploit our existing producing property base to generate cash flows. We believe our multi-year drilling inventory of high return exploitation opportunities on our existing producing properties provides us with a solid platform to continue growing our reserves and production for the next several years. We believe these projects, if successful, will allow us to fund a larger portion of our resource plays and exploration activities from cash flows from operations. In 2010, we intend to focus much of our exploitation drilling on our Liberty County acreage, located in Southeast Texas. We will be targeting the Yegua and Cook Mountain formations in which industry players have recently experienced success on wells in the area. We own 3D seismic data that covers substantially all of our Liberty County acreage, giving us a higher degree of confidence in the potential in this area. We have drilled 11 gross (6.8 net) wells in Liberty County since early 2008 and have successfully completed 82%. During 2010, we intend to drill 4 gross (2.6 net) wells in this area.

Explore in defined producing trends. Our exploration activities consist primarily of step-out drilling in known, producing formations in our legacy areas of South and Southeast Texas. In 2007, we began acquiring seismic data to use in identifying new exploration prospects. Currently, we have a library of over 4,200 square miles of 3D seismic data and over 2,500 linear miles of 2D seismic data.

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Make opportunistic acquisitions that meet our strategic and financial objectives. We seek to acquire natural gas and crude oil properties, including both undeveloped and producing reserves in areas where we have specific operating expertise.

Reduce commodity exposure through hedging. We employ the use of swaps and costless collar derivative instruments to limit our exposure to commodity prices. As of September 30, 2009, we had 13.9 Bcfe of equivalent production hedged, representing 1.8 Bcf, 6.1 Bcf and 3.2 Bcf of natural gas hedges in place and 86 MBbl, 250 MBbl and 124 MBbl of crude oil hedges in place for the fourth quarter of 2009, the year 2010 and the year 2011, respectively. The average price of our natural gas and crude oil hedges in place is $8.19/MMBtu and $86.03/Bbl for the fourth quarter of 2009, $7.71/MMBtu and $83.02/Bbl in the year 2010 and $7.32/MMBtu and $66.50/Bbl in the year 2011.

Our Competitive Strengths

Our competitive strengths include:

Geographically focused operations in basins with established production profiles. The geographic concentration of our current operations along the onshore Texas Gulf Coast and in South Texas allows us to establish economies of scale with respect to drilling, production, operating and administrative costs, and enables us to leverage our base of technical expertise in these geographic areas. In addition, we believe the cash flows from our existing properties provide a stable foundation to support our ongoing exploitation and development efforts.

Significant operational control. As of September 30, 2009, we operated a majority of our producing wells. As a result, we exercise a significant level of control over the amount and timing of expenses, capital allocation and other aspects of development, exploitation and exploration. While operatorship of future wells on our East Texas acreage will be subject to negotiation as drilling units are formed, we expect to operate a significant number of the wells we drill on this acreage.

Proven track record of reserve and production growth. Since 2005, we have significantly grown proved reserves and production through a combination of continued drilling success and the successful acquisition of underdeveloped properties that have proven to be complementary to our existing asset base and technical expertise. We plan to continue this growth by focusing on a balanced combination of drilling longer life, multi-pay natural gas targets within our resource plays and exploitation of our producing properties and undeveloped acreage.

Large inventory of identified projects. We currently have an inventory of over 800 identified potential drilling locations, including 375 associated with our existing conventional properties, plus an estimated 422 locations on our East Texas resource play acreage and an estimated 25 locations on our South Texas resource play acreage. Since the beginning of 2008, we have drilled 16 gross (10.7 net) operated and 18 gross (4.5 net) non-operated wells and have experienced a 91% success rate (excluding one well which has not yet been completed). We expect to drill 12 gross (6.0 net) wells in 2010.

Experienced management and technical teams. Our senior management team averages over 25 years of experience in the energy industry and is led by Allan D. Keel, President and Chief Executive Officer, who has 25 years of experience in the oil and natural gas industry. Mr. E. Joseph Grady, our Senior Vice President and Chief Financial Officer, has over 30 years of financial management experience in the energy industry. Other members of our senior management include: Mr. Tracy Price, our Senior Vice President Land Business/Development; Mr. Thomas H. Atkins, our Senior Vice President Exploration; and

Mr. Jay S. Mengle, our Senior Vice President Engineering, each of whom has more than 25 years of experience in the oil and gas industry. Our experienced management team has an established track record of successfully exploiting and developing natural gas and crude oil properties.

Our Operations

Our areas of primary focus include the following:

East Texas. Our East Texas properties include approximately 17,000 gross (12,000 net) acres acquired in 2008 and early 2009 in the highly prospective and active resource play in San Augustine and Sabine Counties, where we will focus primarily on the pursuit of the Haynesville Shale, Bossier Shale and James Lime formations. In October 2009, we drilled and completed our first well in this area, the Kardell #1H. While drilling this well, we identified additional prospective formations, including the Pettet and Knowles Lime.

Southeast Texas. Our Southeast Texas properties primarily include the Felicia field area in Liberty County. We own approximately 27,300 gross (15,100 net) acres in Liberty, Madison and Grimes Counties. As of September 30, 2009, we owned and operated 35 gross (27.0 net) producing wells, representing approximately 38% of our average daily production for the first nine months of 2009.

South Texas. Our South Texas properties include approximately 2,800 gross (2,800 net) acres in Bee County, which we believe to be prospective in the Austin Chalk and Eagle Ford Shale. Our conventional operations include approximately 87,600 gross (50,700 net) acres predominately in Brooks, Lavaca, DeWitt, Zapata, Webb and Matagorda Counties.

We also own interests in the following areas:

Southwest Louisiana. Our Southwest Louisiana properties include approximately 8,200 gross (3,600 net) acres, primarily in the Fenton field area of Calcasieu Parish and our legacy Grand Lake and Lacassine fields in Cameron Parish. In addition, we own a 15% working interest ownership in 2007 exploratory successes in Louisiana at Sabine Lake and West Cameron 432.

Colorado and Other. Our Colorado and other properties include primarily producing assets and approximately 16,900 gross (11,900 net) acres in the Denver Julesburg Basin in Colorado (mostly in Adams County) and a minor crude oil property in Mississippi.

The following table sets forth certain information with respect to our estimated proved reserves as of December 31, 2008, as estimated by Netherland, Sewell & Associates, Inc., and production for the nine months ended September 30, 2009. The following table also identifies potential drilling locations and net acreage as of September 30, 2009.

Region	Estimated Proved Reserves as of December 31, 2008 (MMcfe)	% Natural Gas	% Proved Developed	Average Daily Production For the Nine Months Ended September 30, 2009 (Mcfe/d)	Net Acreage at September 30, 2009	Identified Potential Gross Drilling Locations at September 30, 2009[1]
Southeast Texas	29,393	60.1%	85.8%	16,521	15,100	26
South Texas	60,602	78.0%	59.8%	11,963	53,500	124
Southwest Louisiana	10,398	62.4%	57.3%	3,139	3,600	4
Colorado and Other	6,675	71.5%	55.3%	539	11,900	164
East Texas[2]					12,000	422
Non-operated[3]	24,879	80.2%	79.8%	10,817		82
Total	131,947	72.9%	68.9%	42,979	96,100	822

(1) Includes multiple drilling locations on acreage with multiple target formations.

(2) We recently completed our first well on our East Texas acreage, the Kardell #1H, as a horizontal Haynesville Shale producer, in which we own a 52% working interest. Drilling locations in this region were identified assuming an allocated 100 acres per potential horizontal East Texas well drilled to multiple target formations.

(3) Our non-operated properties consist primarily of our 25% working interest in the Samano field in Starr and Hidalgo Counties in South Texas, our 28% working interest in certain fields in Liberty County in Southeast Texas and our 15% and 15% respective working interests resulting from exploratory successes in 2007 at Sabine Lake and West Cameron 432 in Southwest Louisiana.

Preferred Stock Conversion

As of September 30, 2009, there were 80,500 shares of our Series G convertible preferred stock, par value $0.01 per share (Series G Preferred Stock) outstanding. OCM GW Holdings, LLC (Oaktree Holdings), an affiliate of Oaktree Capital Management, LP (Oaktree Capital Management), currently holds 76,710 shares of our Series G Preferred Stock and Allan D. Keel, our President and CEO, holds 500 shares of our Series G Preferred Stock. Pursuant to a shareholders agreement among holders of the Series G Preferred Stock, if Oaktree Holdings elects to convert any shares of Series G Preferred Stock into common stock, all other holders must likewise convert a proportional number of shares. We expect to enter into an agreement with Oaktree Holdings that will provide us the right, in connection with this offering, to cause Oaktree Holdings to convert all of its shares of our Series G Preferred Stock and the accrued but unpaid dividends with respect to those preferred shares. We expect that the number of shares of our common stock to be issued per share of preferred stock will be equal to (i) the sum of $500 plus the accrued but unpaid dividends with respect to such share divided by (ii) the lesser of $9.00 and the price to the public for our common stock received in this offering. We intend to exercise this option and anticipate issuing shares of our common stock in connection with the conversion of all of our Series G Preferred Stock and the accrued but unpaid dividends on those shares, assuming an offering price of $ per share, which is the midpoint in the range provided on the cover page of this prospectus. Of those shares of common stock, we anticipate issuing shares of our common stock to Oaktree Holdings and shares of our common stock to Mr. Keel.

As of September 30, 2009, there were 2,100 shares of our Series H convertible preferred stock, par value $.01 per share (our Series H Preferred Stock) outstanding, which shares were held of record by three stockholders, including 2,000 shares held by Oaktree Holdings. Each share of our

Series H Preferred Stock is convertible into the number of shares of our common stock that is equal to $500 divided by $3.50. Pursuant to the Certificate of Designations governing the terms of the Series H Preferred Stock, if Oaktree Holdings converts all of its shares of Series G Preferred Stock into common stock, all other shares of Series H Preferred Stock automatically convert into shares of our common stock. We anticipate issuing shares of our common stock in connection with the conversion of all of our Series H Preferred Stock.

Upon the completion of this offering, Oaktree Holdings will own approximately % of our outstanding common stock and Mr. Keel will hold approximately % of our outstanding common stock. Please see Summary Consolidated Financial Data Pro Forma Net Income (Loss) Per Share Data for information with respect to the effect of the Preferred Stock Conversion on our net income (loss) per share.

Principal Stockholder

Our principal stockholder is Oaktree Holdings, an affiliate of Oaktree Capital Management. Oaktree Capital Management is a premier global alternative and non-traditional investment manager with over $67 billion in assets under management as of September 30, 2009. The firm emphasizes an opportunistic, value-oriented and risk-controlled approach to investments in distressed debt, high yield and convertible bonds, specialized private equity (including power infrastructure), real estate, emerging market and Japanese securities, and mezzanine finance. Oaktree Capital Management was founded in 1995 by a group of principals who have worked together since the mid-1980s. Headquartered in Los Angeles, the firm today has over 580 employees in 14 offices worldwide.

Risk Factors

Investing in our common stock involves substantial risk. For a discussion of certain risks you should consider in making an investment, see Risk Factors beginning on page 15. In particular, the following considerations may offset our business strengths or have a negative effect on our business strategy as well as on activities on our properties, which could cause a decrease in the price of our common stock and result in a loss of all or a portion of your investment:

- Natural gas, crude oil and natural gas liquids prices are volatile, and a decline in prices can significantly affect our financial results and impede our growth.

- Initial production rates in the Haynesville Shale tend to decline steeply in the first twelve months of production and are not necessarily indicative of sustained production rates.

- Our development and exploration operations, including on our East Texas resource play acreage, require substantial capital, and we may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a loss of properties and a decline in our natural gas, crude oil and natural gas liquids reserves.

- Reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions could materially reduce the estimated quantities and present value of our reserves.

- We have incurred net losses in the past and there can be no assurance that we will be profitable in the future.

- Unless we replace our natural gas and crude oil reserves, our reserves and production will decline, which would adversely affect our cash flows, our ability to raise capital and the value of our common stock.

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business.

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Corporate Structure

Our company was founded in 1987 and is incorporated in Delaware. In February 2005, the Company, previously incorporated in Texas and named GulfWest Energy Inc., was recapitalized and in June 2005 was reincorporated as a Delaware corporation, and renamed Crimson Exploration Inc. We are organized as a holding company with most of our oil and gas assets held in our primary operating subsidiary.

Our Offices

Our principal office is located at 717 Texas Avenue, Suite 2900, Houston, Texas 77002 and our telephone number is (713) 236-7400.

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The Offering

Issuer	Crimson Exploration Inc.
Common stock offered by us	shares
Underwriters option to purchase additional shares	We have granted the underwriters a 30-day option to purchase up to an additional shares of common stock.
Common stock outstanding immediately following this offering	shares of common stock (excluding shares that will be sold to the underwriters if they exercise their option to purchase additional shares), including shares that will be issued pursuant to the Preferred Stock Conversion, assuming an offering price of $, which is the midpoint of the range provided on the cover page of this prospectus
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $ million after deducting underwriting discounts and commissions and estimated offering expenses, assuming an offering price of $, which is the midpoint of the range provided on the cover page of this prospectus. We intend to use the net proceeds from this offering to repay approximately $ in aggregate principal amount of indebtedness outstanding under our revolving credit facility and our $10 million unsecured promissory note.
Dividend policy	We have not declared or paid any cash dividends on our common stock or preferred stock, and we do not currently anticipate paying any cash dividends on our common stock or preferred stock in the foreseeable future. For more information, see Dividend Policy.
Proposed NASDAQ symbol	CXPO
Risk factors	An investment in our common stock involves a high degree of risk. See Risk Factors and other information included elsewhere in this prospectus for a discussion of factors you should consider before investing in our common stock.

Unless we specifically state otherwise, the information in this prospectus (i) gives effect to the Preferred Stock Conversion; (ii) assumes no exercise by the underwriters of their option to purchase additional shares of common stock; (iii) excludes an aggregate of 551,315 shares of common stock reserved and available for future issuance under our 2005 Stock Incentive Plan and 1,960,310 shares issuable upon exercise of outstanding options at a weighted average exercise price of $8.82 per share as of November 18, 2009; and (iv) is based on 6,421,564 shares outstanding as of November 10, 2009.

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Summary Consolidated Financial Data

The following table presents summary historical consolidated financial data of our business, as of the dates and for the periods indicated. The summary historical consolidated financial data as of and for the year ended December 31, 2008 have been derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. The summary historical consolidated financial data for the nine months ended September 30, 2008 and 2009 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The September 30, 2008 and 2009 financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented.

The summary consolidated financial data should be read in conjunction with Selected Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,			Nine Months Ended September 30,	
	2006	**2007**	**2008**	**2008**	**2009**
			(In thousands)		
				(unaudited)	
Statement of Operations Data:					
Operating revenues:					
Natural gas sales	$ 10,570	$ 67,868	$ 116,415	$ 92,075	$ 55,135
Crude oil sales	10,908	27,021	41,860	34,150	21,519