GOODRICH PETROLEUM CORP
Form 10-K
February 26, 2010
Table of Contents

Index to Financial Statements

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-12719

GOODRICH PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**76-0466193**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
801 Louisiana, Suite 700	
Houston, Texas	**77002**
(Address of principal executive offices)	**(Zip Code)**

(713) 780-9494 (Registrant s telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, par value $0.20 per share	New York Stock Exchange
(Title of Class)	***(Name of Exchange)***

Securities Registered Pursuant to Section 12(g) of the Act:

Series B Preferred Stock, $1.00 par value

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Small reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ¨ No x

The aggregate market value of Common Stock, par value $0.20 per share (Common Stock), held by non-affiliates (based upon the closing sales price on the New York Stock Exchange National Market on June 30, 2009) the last business day of the registrant s most recently completed second fiscal quarter was approximately $573 million. The number of shares of the registrant s common stock outstanding as of February 24, 2010 was 37,519,966.

Documents Incorporated By Reference:

Portions of Goodrich Petroleum Corporation s definitive Proxy Statement are incorporated by reference in Part III of this Form 10-K.

Table of Contents

Index to Financial Statements

GOODRICH PETROLEUM CORPORATION

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED

December 31, 2009

Table of Contents

Index to Financial Statements

PART I

Items 1. and 2. ***Business and Properties***

General

Goodrich Petroleum Corporation and its subsidiaries (together, we or the Company) is an independent oil and gas company engaged in the exploration, exploitation, development and production of oil and natural gas properties primarily in East Texas and Northwest Louisiana. The geological formations found in East Texas and Northwest Louisiana generally provide multiple pay objectives including: the Haynesville Shale, Cotton Valley, Travis Peak, James and Pettet formations. While we believe all of the various play objectives underlying our properties can be economically developed at higher commodity prices, in the current price environment we are concentrating our development efforts on horizontal drilling in the Haynesville Shale and, to a lesser extent, the Cotton Valley Taylor sand. We continue to aggressively pursue the evaluation and acquisition of prospective acreage, oil and gas drilling opportunities and potential property acquisitions. We own working interests in 466 active oil and gas wells located in 24 fields in six states. At December 31, 2009, we had estimated proved reserves of approximately 415.3 Bcf of natural gas and 0.9 MMBbls of oil and condensate, or an aggregate of 420.6 Bcfe with a pre-tax present value of future net cash flows, discounted at 10%, or PV-10, of $148.2 million and a related standardized measure of discounted future net cash flows of $147.2 million, which reflects the after-tax present value of discounted future net cash flows. See the table included in the Oil and Natural Gas Reserves section on page 6 for a reconciliation of PV-10 to the standardized measure of discounted future net cash flows.

Our principal executive offices are located at 801 Louisiana Street, Suite 700, Houston, Texas 77002.

2009 Highlights

We achieved annual production volume growth of 23% with production volume growing from 24.2 Bcfe in 2008 to 29.8 Bcfe in 2009.

We leased additional acreage in the Haynesville Shale play in Northwest Louisiana and East Texas, increasing our ownership to approximately 85,000 net acres at December 31, 2009.

We drilled and completed 45 gross (25 net) wells in 2009, with a success rate of 100% of which 32 gross wells were in the Haynesville Shale.

We raised $218.5 million from our 5% Convertible Senior Notes offering in September 2009.

We exited the year with estimated proved reserves of approximately 420.6 Bcfe (approximately 415.3 Bcf of natural gas and 0.9 MMBbls of oil and condensate), with a PV-10 of $148.2 million and a standardized measure of $147.2 million, approximately 39% of which is proved developed.

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 Haynesville Shale acreage and the timely development of our large relatively low risk development program in the East Texas and North Louisiana (ETNL) area. We continue to pursue the acquisition of prospective acreage and oil and gas drilling opportunities.

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

Table of Contents

Index to Financial Statements

growth potential. We intend to concentrate on developing our multi-year inventory of drilling locations in the Haynesville Shale and Cotton Valley Taylor Sand on our acreage in order to develop our natural gas reserves. We estimate that our Haynesville Shale acreage currently includes as many as 1,500 gross unrisked, non-proved drilling locations based on anticipated well spacing and our Cotton Valley Taylor Sand inventory includes as many as 223 gross unrisked, non-proved drilling locations based on anticipated well spacing.

Transition to Horizontal Drilling. During the past year, the Company has transitioned from a company drilling predominately vertical wells, primarily for the Cotton Valley sands, to one drilling almost exclusively horizontal wells. As such and with the verification of the enhanced economics resulting from its horizontal activities during 2009 for both the Haynesville Shale and Cotton Valley (Taylor) sand, the decision was made to shift away from the vertical drilling of Cotton Valley and Travis Peak wells to a horizontal drilling plan exclusively. Primarily as a result of this strategic decision to change from a vertical to a horizontal drilling plan for developing our existing properties, virtually all of the vertical proved undeveloped and probable locations which had previously been included in our drilling plans were removed.

Expand Acreage Position in the Haynesville Shale and ETNL area. We have increased our acreage position in ETNL to approximately 205,500 gross (137,900 net) acres as of December 31, 2009. We continue to 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 Haynesville Shale and other plays that exhibit 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. As we continue to develop our properties, we expect our overall operating costs per Mcfe to continue to decrease, due primarily to an increasing mix of Haynesville Shale production. Production from the Haynesville Shale is not as water-intensive as production from our legacy assets in ETNL thereby reducing our per unit lease operating expenses.

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. Please read Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

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 are a member of a consortium that exchanges and analyzes data on Haynesville Shale wells in East Texas and North Louisiana, and we have recently participated in a 3D shoot over a portion of our acreage.

Oil and Gas Operations and Properties

ETNL and Haynesville Shale

Overview. As of December 31, 2009, nearly all of our proved oil and gas reserves were located in East Texas and Northwest Louisiana. We spent nearly all of our 2009 capital expenditures of $237.6 million in this area, with $148.3 million or 62% spent on the Haynesville Shale. Our total capital expenditures, including accrued expenses for services performed during 2009, consist of $215.1 million for drilling and completion costs, $15.8 million for leasehold acquisition, $3.8 million for facilities and infrastructure, $1.9 million for geological and geophysical costs and $1.0 million for furniture, fixtures and equipment.

4

Table of Contents

Index to Financial Statements

As of December 31, 2009, we have acquired or farmed-in leases totaling approximately 205,500 gross (137,900 net) acres and are continually attempting to acquire additional acreage in the area. During 2009, we drilled and completed 45 gross wells in ETNL, including 32 gross Haynesville Shale wells with a 100% success rate. Our current ETNL and Haynesville Shale drilling activities are located in six primary leasehold areas in East Texas and Northwest Louisiana.

The table below details our acreage holdings, average working interest and wells drilled and completed in the ETNL area.

	Acreage As of December 31, 2009		Average Working	Wells Drilled and Completed As of December 31, 2009	
Field or Area	Gross	Net	Interest	Successful	Unsuccessful
North Minden	31,950	27,810	96%	117	2
Beckville	13,410	12,367	100%	82	2
Angelina River	80,829	49,066	64%	94	1
South Henderson	10,614	8,592	100%	37	
Bethany Longstreet	30,556	19,760	70%	71	
Greenwood Waskom Metcalf	4,955	3,382	71%	3	
Longwood	21,364	10,989	60%	28	
Caddo Pine Island	6,400	2,900	43%	5	
Other ETNL	5,374	3,013	68%	19	1
Total ETNL	205,452	137,879	83%	456	6
Other	2,135	227	33%		
Total	207,587	138,106	81%	456	6

In those fields or areas where we have made the determination that the Haynesville Shale is productive, the table below details our acreage positions, average working interest and wells drilled and completed in the Haynesville Shale.

	Haynesville Acreage As of December 31, 2009		Average Working	Wells Drilled and Completed As of December 31, 2009	
Field or Area	Gross	Net	Interest	Successful	Unsuccessful
North Minden	31,830	25,885	100%	7	
Beckville	13,410	11,354	100%	5	
Angelina River	38,876	22,321	50%	2	
South Henderson					
Bethany Longstreet	30,556	13,547	35%	24	
Greenwood Waskom Metcalf	4,955	3,382	71%	3	
Longwood	10,989	4,926	42%	4	
Caddo Pine Island	6,400	2,900	43%	5	
Other	1,919	544	48%		
Total Haynesville Shale (1)	138,935	84,859	55%	50	

(1)

Of the total 50 wells drilled and completed as of December 31, 2009, 12 wells were drilled vertically early in our Haynesville Shale program to confirm the existence of the shale in the related area and were not necessarily meant to most economically develop the field.

Table of Contents

Index to Financial Statements

Production and Reserves. Initial production from the horizontally drilled wells in the Haynesville Shale play commenced in January 2009. Gross production averaged approximately 118,000 Mcfe/d and net production averaged approximately 36,000 Mcfe/d for the fourth quarter of 2009. At December 31, 2009, 47% of our proved reserves were attributable to properties with production from the Haynesville Shale.

	December 31, 2009				Fourth Quarter 2009	
					Net Average	
Field or Area	Proved Developed	Proved Undeveloped	Proved Reserves	% of Total	Daily Production (Mcfe/d)	% of Total
North Minden	36,827	15,985	52,812	13%	16,371	19%
Beckville	38,823	95,966	134,789	32%	16,832	20%
Angelina River	28,283		28,283	7%	14,207	17%
South Henderson	9,927		9,927	2%	4,435	5%
Bethany Longstreet	39,251	134,102	173,353	41%	26,810	31%
Greenwood Waskom Metcalf	5,636	8,989	14,625	3%		
Longwood	2,908		2,908	1%	1,744	2%
Caddo Pine Island	468		468			
Other ETNL	1,895		1,895	1%	5,506	6%
Total ETNL	164,018	255,042	419,060	100%	85,905	100%
Other	1,501		1,501		176	
Total	165,519	255,042	420,561	100%	86,081	100%

Other Properties

In March 2007, we sold substantially all of our oil and gas properties in South Louisiana. The sale resulted in net proceeds of $72.3 million, after normal closing adjustments. We continue to treat the Plumb Bob field in South Louisiana as held for sale, which represents less than 1% of our total equivalent proved reserves at December 31, 2009.

As of December 31, 2009, we maintain ownership interests in acreage and/or wells in several additional fields including: the Midway field in San Patricio County, Texas; and the Garfield Unit in Kalkaska County, Michigan.

Oil and Natural Gas Reserves

In December 2008, the SEC adopted new rules related to modernizing reserve calculation and disclosure requirements for oil and natural gas companies, which became effective prospectively for annual reporting periods ending on or after December 31, 2009. The new rules expand the definition of oil and gas producing activities to include the extraction of saleable hydrocarbons from oil sands, shale, coal beds or other nonrenewable natural resources that are intended to be upgraded into synthetic oil or gas, and activities undertaken with a view to such extraction. The use of new technologies is now permitted in the determination of proved reserves if those technologies have been demonstrated empirically to lead to reliable conclusions about reserve volumes. Other definitions and terms were revised, including the definition of proved reserves, which was revised to indicate that entities must use the average of beginning-of-the-month commodity prices over the preceding

12-month period, rather than the end-of-period price, when estimating whether reserve quantities are economical to produce. Likewise, the 12-month average price is now used to compute depreciation, depletion and amortization. Another significant provision of the new rules is a general requirement that, subject to limited exceptions, proved undeveloped reserves may only be booked if they relate to wells scheduled to be drilled within five years of the date of booking.

Table of Contents

Index to Financial Statements

The following tables set forth summary information with respect to our proved reserves as of December 31, 2009 and 2008, as estimated by us by compiling reserve information derived from the evaluations performed by Netherland, Sewell & Associates, Inc. (NSAI), our independent reserve engineers. A copy of their summary report is included as an exhibit to this Annual Report on Form 10-K. See Note 15 Oil and Gas Producing Activities (Unaudited) to our consolidated financial statements for additional information.

	Proved Reserves at December 31, 2009			
	Developed Producing	Developed Non-Producing	Undeveloped	Total
	(dollars in thousands)			
Net Proved Reserves:				
Oil (MBbls)	368	63	446	877
Natural Gas (MMcf)	142,134	20,801	252,366	415,301
Natural Gas Equivalent (MMcfe)	144,343	21,176	255,042	420,561
Estimated Future Net Cash Flows				$ 424,983
Present Value of Future Net Cash Flows (before income taxes) (1)				$ 148,165
Discounted Future Income Taxes				(941)
Standardized Measure of Discounted Net Cash Flows (1)				$ 147,224

	Proved Reserves at December 31, 2008			
	Developed Producing	Developed Non-Producing	Undeveloped	Total
	(dollars in thousands)			
Net Proved Reserves:				
Oil (MBbls)	316	71	1,596	1,983
Natural Gas (MMcf)	130,746	19,428	240,276	390,449
Natural Gas Equivalent (MMcfe)	132,643	19,852	249,854	402,349
Estimated Future Net Cash Flows				$ 560,007
Present Value of Future Net Cash Flows (before income taxes) (1)				$ 169,844
Discounted Future Income Taxes				(2,401)
Standardized Measure of Discounted Net Cash Flows (1)				$ 167,443

(1) PV-10 represents the discounted future net cash flows attributable to our proved oil and gas reserves before income tax, discounted at 10%. PV-10 of our total year-end proved reserves may be considered a non-GAAP financial measure as defined by the SEC. We believe that the presentation of the PV-10 is relevant and useful to our investors because it presents the discounted future net cash flows attributable to our proved reserves before taking into account future corporate income taxes and our current tax structure. We further believe investors and creditors use our PV-10 as a basis for comparison of the relative size and value of our reserves to other companies. Our standard measure of discounted future net cash flows of proved reserves, or standardized measure, as of December 31, 2009 was $147.2 million. See the reconciliation of our PV-10 to the standardized measure of discounted future net cash flows in the table above.

Reserve engineering is a subjective process of estimating underground accumulations of crude oil, condensate and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and

geological interpretation and judgment. The

Table of Contents

Index to Financial Statements

quantities of oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future oil and natural gas sales prices may differ from those assumed in these estimates. Therefore, the PV-10 amounts shown above should not be construed as the current market value of the oil and natural gas reserves attributable to our properties.

In accordance with the guidelines of the SEC, our independent reserve engineers estimates of future net revenues from our properties, and the PV-10 and standardized measure thereof, were determined to be economically producible under existing economic conditions, which requires the use of the 12-month average price for each product, calculated as the unweighted arithmetic average of the first-day-of-the-month price for the period January 2009 through December 2009, except where such guidelines permit alternate treatment, including the use of fixed and determinable contractual price escalations. The average prices used in such estimates were $3.87 per Mmbtu, of natural gas and $57.65 per Bbl of crude oil/condensate. These prices do not include the impact of hedging transactions, nor do they include applicable transportation and quality differentials, and price differentials between natural gas liquids and oil, which are deducted from or added to the index prices on a well by well basis.

Our proved reserve information as of December 31, 2009 included in this Annual Report on Form 10-K was estimated by our independent petroleum consultant, NSAI, in accordance with generally accepted petroleum engineering and evaluation principles and definitions and guidelines established by the SEC. The technical persons responsible for preparing the reserves estimates presented herein meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

We maintain an internal staff of petroleum engineers and geoscience professionals who work closely with our independent petroleum consultant to ensure the integrity, accuracy and timeliness of data furnished to NSAI in their reserves estimation process. Our technical team meets regularly with representatives of NSAI to review properties and discuss methods and assumptions used in NSAI s preparation of the year-end reserves estimates. While we have no formal committee specifically designated to review reserves reporting and the reserves estimation process, a preliminary copy of the NSAI reserve report is reviewed by our senior management with representatives of NSAI and internal technical staff. Additionally, our senior management reviews and approves any internally estimated significant changes to our proved reserves semi-annually.

Proved reserves are those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations. The term reasonable certainty implies a high degree of confidence that the quantities of oil and/or natural gas actually recovered will equal or exceed the estimate. To achieve reasonable certainty, NSAI employed technologies that have been demonstrated to yield results with consistency and repeatability. The technologies and economic data used in the estimation of our proved reserves include, but are not limited to, well logs, geologic maps, available downhole and production data, seismic data and well test data.

Proved Undeveloped Reserves. Our proved undeveloped reserves at December 31, 2009, as estimated by our independent petroleum consultant, were 255.0 Bcfe, consisting of 252.4 Bcf of natural gas and 0.4 MMBbls of oil and condensate. In 2009, we developed approximately 1% of our total proved undeveloped reserves booked as of December 31, 2008 through the drilling of 4 gross (2.8 net) development wells at an aggregate capital cost of approximately $14.2 million. None of our proved undeveloped reserves at December 31, 2009 have remained undeveloped for more than five years since the date of initial booking as proved undeveloped reserves, or are scheduled for commencement of development in our December 31, 2009 reserve report on a date more than five years from the date the reserves were initially booked as proved undeveloped.

Table of Contents

Index to Financial Statements

Productive Wells

The following table sets forth the number of productive wells in which we maintain ownership interests as of December 31, 2009:

	Oil		Natural Gas		Total	
	Gross (1)	Net (2)	Gross (1)	Net (2)	Gross (1)	Net (2)
Louisiana	1	0.7	118	66.7	119	67.4
Texas	5	3.4	338	291.9	343	295.3
Michigan and other	1	0.1	3		4	0.1
Total Productive Wells	7	4.2	459	358.6	466	362.8

(1) Does not include royalty or overriding royalty interests.
(2) Net working interest.

Productive wells consist of producing wells and wells capable of production, including gas wells awaiting pipeline connections. A gross well is a well in which we maintain an ownership interest, while a net well is deemed to exist when the sum of the fractional working interests owned by us equals one. Wells that are completed in more than one producing horizon are counted as one well. Of the gross wells reported above, 95 wells had completions in multiple producing horizons.

Acreage

The following table summarizes our gross and net developed and undeveloped acreage under lease as of December 31, 2009. Acreage in which our interest is limited to a royalty or overriding royalty interest is excluded from the table.

	Developed		Undeveloped		Total	
	Gross	Net	Gross	Net	Gross	Net
Louisiana	33,753	19,919	32,744	18,391	66,497	38,310
Texas	95,890	70,002	43,280	29,775	139,170	99,777
Michigan			1,920	19	1,920	19
Total	129,643	89,921	77,944	48,185	207,587	138,106

Undeveloped acreage is considered to be those lease acres on which wells have not been drilled or completed to the extent that would permit the production of commercial quantities of natural gas or oil, regardless of whether or not such acreage contains proved reserves. As is customary in the oil and gas industry, we can retain our interest in undeveloped acreage by drilling activity that establishes commercial production sufficient to maintain the leases or by payment of delay rentals during the remaining primary term of such a lease. The natural gas and oil leases in which we have an interest are for varying primary terms; however, most of our developed lease acreage is beyond the primary term and is held so long

as natural gas or oil is produced.

Lease Expirations

Our undeveloped acreage, including optioned acreage, expires during the next three years at the rate of 5,024 net acres in 2010, 12,426 net acres in 2011 and 4,407 net acres in 2012, unless included in producing units or extended prior to lease expiration.

Operator Activities

We operate a majority of our producing properties by value, and will generally seek to become the operator of record on properties we drill or acquire in the future. Chesapeake Energy Corporation (Chesapeake) continues to operate under our joint development agreement and drill Haynesville Shale wells on our jointly-owned North Louisiana acreage.

Table of Contents

Index to Financial Statements

Drilling Activities

The following table sets forth our drilling activities for the last three years. As denoted in the following table, gross wells refer to wells in which a working interest is owned, while a net well is deemed to exist when the sum of the fractional working interests we own in gross wells equals one.

	Year Ended December 31,					
	2009		2008		2007	
	Gross	Net	Gross	Net	Gross	Net
Development Wells:						
Productive	43	23.6	107	65.9	90	72.0
Non-Productive			2	1.1	1	0.7
Total	43	23.6	109	67.0	91	72.7
Exploratory Wells:						
Productive	2	1.0	17	8.4	5	3.4
Non-Productive						
Total	2	1.0	17	8.4	5	3.4
Total Wells:						
Productive	45	24.6	124	74.3	95	75.4
Non-Productive			2	1.1	1	0.7
Total	45	24.6	126	75.4	96	76.1

At December 31, 2009, the Company had 5 gross (2.4 net) development wells in process of being drilled.

Net Production, Unit Prices and Costs

The following table presents certain information with respect to natural gas and oil production attributable to our interests in all of our fields, the revenue derived from the sale of such production, average sales prices received and average production costs during each of the years in the three-year period ended December 31, 2009.

	2009	2008	2007
Net Production Continuing Operations:			
Natural gas (MMcf)	28,891	23,174	15,281
Oil and condensate (MBbls)	151	167	118
Total (MMcfe)	29,796	24,176	15,991
Average daily production (Mcfe)	81,632	66,054	43,811

Revenue Continuing Operations (in thousands):			
Natural gas	$ 102,692	$ 199,057	$ 102,215
Oil and condensate	8,092	16,312	8,476
Total	$ 110,784	$ 215,369	$ 110,691
Average Realized Sales Price Per Unit Continuing Operations:			
Natural gas (per Mcf)	$ 3.55	$ 8.59	$ 6.69
Oil and condensate (per Bbl)	$ 53.65	$ 97.70	$ 71.83
Total (per Mcfe)	$ 3.72	$ 8.91	$ 6.92
Other Data Continuing Operations (per Mcfe):			
Lease operating expenses	$ 1.01	$ 1.32	$ 1.40
Production and other taxes	$ 0.14	$ 0.31	$ 0.14
Transportation	$ 0.32	$ 0.36	$ 0.37
Depreciation, depletion and amortization	$ 5.38	$ 4.43	$ 4.99
Exploration	$ 0.31	$ 0.35	$ 0.46
Impairment of oil and gas properties	$ 7.01	$ 1.18	$ 0.48
General and administrative	$ 0.94	$ 1.00	$ 1.31

Table of Contents

Index to Financial Statements

For a discussion of comparative changes in our production volumes, revenues and operating expenses for the three years ended December 31, 2009, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation Results of Operations .

Oil and Gas Marketing and Major Customers

Marketing. Essentially all of our natural gas production is sold under spot or market-sensitive contracts to various gas purchasers on short-term contracts. Our condensate and crude oil production is sold to various purchasers under short-term rollover agreements based on current market prices.

Customers. Due to the nature of the industry, we sell our oil and natural gas production to a limited number of purchasers and, accordingly, amounts receivable from such purchasers could be significant. Revenues from these sources as a percent of oil and gas revenues for the year ended December 31, 2009 was as follows:

	2009
Louis Dreyfus Corporation	32%
Shell Energy	19%
Crosstex Energy	10%

Competition

The oil and gas industry is highly competitive. Major and independent oil and gas companies, drilling and production acquisition programs and individual producers and operators are active bidders for desirable oil and gas properties, as well as the equipment and labor required to operate those properties. Many competitors have financial resources substantially greater than ours, and staffs and facilities substantially larger than us.

Employees

At February 24, 2010, we had 125 full-time employees in our two administrative offices and one field office, none of whom is represented by any labor union. We regularly use the services of independent consultants and contractors to perform various professional services, particularly in the areas of construction, design, well-site supervision, permitting and environmental assessment. Independent contractors usually perform field and on-site production operation services for us, including gauging, maintenance, dispatching, inspection and well testing.

Available Information

Our website address is *http://www.goodrichpetroleum.com.* We make available, free of charge through the Investor Relations portion of this website, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the 1934 Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). Reports of beneficial ownership filed pursuant to Section 16(a) of the 1934 Act are also available on our website. Information contained on our website is not part of this report.

We file or furnish annual, quarterly and current reports, proxy statements and other documents with the SEC under the Exchange Act. The public may read and copy any materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at *http://www.sec.gov*.

Table of Contents

Index to Financial Statements

Regulations

The availability of a ready market for any natural gas and oil production depends upon numerous factors beyond our control. These factors include regulation of natural gas and oil production, federal and state regulations governing environmental quality and pollution control, state limits on allowable rates of production by a well or proration unit, the amount of natural gas and oil available for sale, the availability of adequate pipeline and other transportation and processing facilities and the marketing of competitive fuels. For example, a productive natural gas well may be shut-in because of an oversupply of natural gas or the lack of an available natural gas pipeline in the areas in which we may conduct operations. State and federal regulations generally are intended to prevent waste of natural gas and oil, protect rights to produce natural gas and oil between owners in a common reservoir, control the amount of natural gas and oil produced by assigning allowable rates of production and control contamination of the environment. Pipelines are subject to the jurisdiction of various federal, state and local agencies as well.

Environmental Matters

Our operations are subject to stringent and complex federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Compliance with these laws and regulations may require the acquisition of permits before drilling commences, restrict the type, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling and production activities on certain lands lying within wilderness, wetlands and other protected areas and require remedial measures to mitigate pollution from former and ongoing operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations, and the issuance of injunctions that may limit or prohibit some or all of our operations.

The trend in environmental regulation has been to place more restrictions and limitations on activities that may affect the environment, and thus, any changes in environmental laws and regulations that result in more stringent and costly waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on our business. While we believe that we are in substantial compliance with current applicable federal and state environmental laws and regulations and that continued compliance with existing requirements will not have a material adverse impact on our operations or financial condition, there is no assurance that this trend will continue in the future.

The following is a summary of the more significant existing environmental laws to which our business operations are subject and with which compliance may have a material adverse effect on our capital expenditures, earnings or competitive position.

The Comprehensive Environmental Response, Compensation, and Liability Act, as amended (CERCLA), also known as the Superfund law, and analogous state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons that are considered to have contributed to the release of a hazardous substance into the environment. These persons include the owner or operator of the disposal site or the sites where the release occurred, and companies that disposed or arranged for the disposal of hazardous substances released at the site. Under CERCLA, these persons may be subject to joint and several strict liabilities for remediation costs at the site, natural resource damages and for the costs of certain health studies. Additionally, it is not uncommon for neighboring landowners and other third parties to file tort claims for personal injury and property damage allegedly caused by hazardous substances released into the environment. We generate materials in the course of our operations that are regulated as hazardous substances. We also may incur liability under the Resource Conservation and Recovery Act, as amended (RCRA), and comparable state statutes which impose requirements related to the handling and disposal of solid and hazardous wastes. While there exists an exclusion under RCRA from the definition of hazardous wastes for certain materials generated in the exploration, development or production of oil and gas, these wastes may be regulated by the U.S.

12

Table of Contents

Index to Financial Statements

Environmental Protection Agency (the EPA) and state environmental agencies as non-hazardous solid wastes. Moreover, we generate petroleum product wastes and ordinary industrial wastes that may be regulated as solid and hazardous wastes. The EPA and state agencies have imposed stringent requirements for the disposal of hazardous and solid wastes.

We currently own or lease, and in the past have owned or leased, properties that have been used for oil and natural gas exploration and production for many years. Although we believe that we have utilized operating and waste disposal practices that were standard in the industry at the time, hazardous substances, wastes and petroleum hydrocarbons may have been released on or under the properties owned or leased by us, or on or under other locations where such substances have been taken for recycling or disposal. In addition, some of our properties have been operated by third parties whose treatment and disposal of hazardous substances, wastes and petroleum hydrocarbons was not under our control. These properties and the substances disposed or released on them may be subject to CERCLA, RCRA, and analogous state laws. Under such laws, we could be required to remove previously disposed substances and wastes, remediate contaminated property, or perform remedial plugging or pit closure operations to prevent future contamination.

The Federal Water Pollution Control Act, as amended, (Clean Water Act), and analogous state law, impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into state and federal waters. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by EPA or an analogous state agency. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with discharge permits or other requirements of the Clean Water Act and analogous state laws and regulations. In addition, the Oil Pollution Act of 1990 (OPA) imposes a variety of requirements related to the prevention of oil spills into navigable waters. OPA subjects owners of facilities to strict, joint and several liabilities for specified oil removal costs and certain other damages including natural reservoir damages arising from a spill. We believe our operations are in substantial compliance with the Clean Water Act and OPA requirements.

The disposal of oil and gas wastes into underground injection wells are subject to the Safe Drinking Water Act as well as analogous state laws. Under Part C of the Safe Drinking Water Act, the EPA established the Underground Injection Control Program, which establishes requirements for permitting, testing, monitoring recordkeeping and reporting of injection well activities as well as a prohibition against the migration of fluid containing any contaminants into underground sources of drinking water. State programs may have analogous permitting and operational requirements. Any leakage from the subsurface portions of the injection wells may cause degradation of freshwater, potentially resulting in cancellation of operations of a well, issuance of fines and penalties from governmental agencies, incurrence of expenditures for remediation of the affected resource, and imposition of liability by third parties for property damages and personal injury. In addition to the underground injection operations, our activities include the performance of hydraulic fracturing services to enhance any production of natural gas from formations with low permeability, such as shales. Due to concerns raised concerning potential impacts of hydraulic fracturing on groundwater quality, legislative and regulatory efforts at the federal level and in some states have been initiated to render permitting and compliance requirements more stringent for hydraulic fracturing. Such efforts could have an adverse effect on our natural gas production activities.

The Federal Clean Air Act, as amended, and comparable state laws, regulates emissions of various air pollutants from many sources in the United States, including crude oil and natural gas production activities. These laws and any implementing regulations may require us to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions, impose stringent air permit requirements, or utilize specific equipment or technologies to control emissions. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with air permits or other requirements of the Federal Clean Air Act and associated state laws and regulations. We believe our operations are in substantial compliance with applicable air permitting and control technology requirements.

Table of Contents

Index to Financial Statements

In response to studies suggesting that emissions of certain gases commonly referred to as greenhouse gases and including carbon dioxide and methane, may be contributing to the warming of the Earth s atmosphere and other climate changes, President Obama has expressed support for, and Congress is actively considering legislation to restrict or regulate emissions of greenhouse gases by establishing an economy-wide cap-and-trade program to reduce U.S. emissions of greenhouse gases. In addition, more than one-third of the states, either individually or through multi-state regional initiatives, already have begun implementing legal measures to reduce emissions of greenhouse gases, primarily through the planned development of emission inventories or regional greenhouse gas cap-and-trade programs. Also, the EPA has determined that greenhouse gases present an endangerment to public health and the environment and, consequently, has proposed regulations that would require a reduction in emissions of greenhouse gases from motor vehicles and could trigger permit review for greenhouse gas emissions from certain stationary sources, as well as adopted regulations requiring the reporting of greenhouse gas emissions from specified large greenhouse gas sources in the United States.

Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business, any such new federal, regional, or state restrictions on emissions of carbon dioxide or other greenhouse gases that may be imposed in areas in which we conduct business could result in increased compliance or operating costs or additional operating restrictions, any of which could have a material adverse effect on our business or demand for the oil and gas we produce.

The federal Endangered Species Act and analogous state laws regulate activities that could have an adverse effect on threatened or endangered species. We believe that we are in substantial compliance with the ESA. However, the designation of previously unidentified endangered or threatened species could cause us to incur additional costs or become subject to operating restrictions or bans in the affected areas.

State statutes and regulations require permits for drilling operations, drilling bonds and reports concerning operations. In addition, there are state statutes, rules and regulations governing conservation matters, including the unitization or pooling of oil and gas properties, establishment of maximum rates of production from oil and gas wells and the spacing, plugging and abandonment of such wells. Such statutes and regulations may limit the rate at which oil and gas could otherwise be produced from our properties and may restrict the number of wells that may be drilled on a particular lease or in a particular field.

We are also subject to the requirements of the federal Occupational Safety and Health Act (OSHA) and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local governmental authorities and citizens. We believe that our operations are in substantial compliance with applicable OSHA requirements.

Item 1A. ***Risk Factors***

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

The following summarizes some, but not all, of the risks and uncertainties which may adversely affect our business, financial condition or results of operations.

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

The proved oil and gas reserve information included in this report are estimates. These estimates are based on reports prepared by NSAI, our independent reserve engineers, and were calculated using the unweighted average of first-day-of-the-month oil and gas prices in 2009. These prices will change and may be lower at the

Table of Contents

Index to Financial Statements

time of production than those prices that prevailed during 2009. Reservoir engineering is a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact manner. Estimates of economically recoverable oil and gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, including:

- historical production from the area compared with production from other similar producing wells;
- the assumed effects of regulations by governmental agencies;
- assumptions concerning future oil and gas prices; and
- assumptions concerning future operating costs, severance and excise taxes, development costs and workover and remedial costs.

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

- the quantities of oil and gas that are ultimately recovered;
- the production and operating costs incurred;
- the amount and timing of future development expenditures; and
- future oil and gas sales prices.

Furthermore, different reserve engineers may make different estimates of reserves and cash flows based on the same available data. Our actual production, revenues and expenditures with respect to reserves will likely be different from estimates and the differences may be material. The discounted future net cash flows included in this document should not be considered as the current market value of the estimated oil and gas reserves attributable to our properties. As required by the SEC, the standardized measure of discounted future net cash flows from proved reserves are generally based on 12-month average prices and costs as of the date of the estimate, while actual future prices and costs may be materially higher or lower. Actual future net cash flows also will be affected by factors such as:

- the amount and timing of actual production;
- supply and demand for oil and gas;
- increases or decreases in consumption; and

changes in governmental regulations or taxation.

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

Our estimates of proved reserves have been prepared under new SEC rules which went into effect for fiscal years ending on or after December 31, 2009, which may make comparisons to prior periods difficult and could limit our ability to book additional proved undeveloped reserves in the future.

This report presents estimates of our proved reserves as of December 31, 2009, which have been prepared and presented under new SEC rules. These new rules are effective for fiscal years ending on or after December 31, 2009, and require SEC reporting companies to prepare their reserves estimates using revised reserve definitions and revised pricing based on twelve-month unweighted first-day-of-the-month average pricing. The previous rules required that reserve estimates be calculated using last-day-of-the-year pricing. The pricing that was used for estimates of our reserves as of December 31, 2009 was based on an unweighted average twelve month West Texas Intermediate (WTI) posted price of $57.65 per Bbl for oil and a Henry Hub Spot

Table of Contents

Index to Financial Statements

price of $3.87 per MMBtu for natural gas, as compared to $41.00 per Bbl for oil and $5.71 per MMBtu for natural gas as of December 31, 2008. As a result of these changes, direct comparisons to our previously-reported reserves amounts may be more difficult.

Another impact of the new SEC rules is a general requirement that, subject to limited exceptions, proved undeveloped reserves may only be booked if they relate to wells scheduled to be drilled within five years of the date of booking. This new rule has limited and may continue to limit our potential to book additional proved undeveloped reserves as we pursue our drilling program, particularly as we develop our significant acreage in East Texas and Northwest Louisiana. Moreover, we may be required to write down our proved undeveloped reserves if we do not drill on those reserves within the required five-year timeframe.

The SEC has not reviewed our or any reporting company s reserve estimates under the new rules and has released only limited interpretive guidance regarding reporting of reserve estimates under the new rules and may not issue further interpretive guidance on the new rules. Accordingly, while the estimates of our proved reserves at December 31, 2009 included in this report have been prepared based on what we and our independent reserve engineers believe to be reasonable interpretations of the new SEC rules, those estimates could differ materially from any estimates we might prepare applying more specific SEC interpretive guidance.

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

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

- lack of acceptable prospective acreage;
- inadequate capital resources;
- unexpected drilling conditions;
- pressure or irregularities in formations;
- equipment failures or accidents;
- unavailability or high cost of drilling rigs, equipment or labor;
- reductions in oil and gas prices;

limitations in the market for oil and gas;

title problems;

compliance with governmental regulations;

mechanical difficulties; and

risks associated with horizontal drilling.

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

In addition, we recently completed drilling our sixth horizontal well in the ETNL area. We have only limited experience drilling horizontal wells and there can be no assurance that this method of drilling will be as effective as we currently expect it to be.

Table of Contents

Index to Financial Statements

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

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

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

Crude oil and natural gas prices are extremely volatile. Average oil and natural gas prices decreased substantially during the year ended December 31, 2009. Any additional actual or anticipated reduction in crude oil and natural gas prices may further depress the level of exploration, drilling and production activity. We expect that commodity prices will continue to fluctuate significantly in the future. The following table includes high and low natural gas prices (price per MMBtu) and crude oil prices (WTI) during calendar year 2009, as well as these prices at year-end and at February 24, 2010: