

PETROHAWK ENERGY CORP
Form S-4/A
May 31, 2006
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As filed with the Securities and Exchange Commission on May 31, 2006

Registration No. 333-134235

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

PETROHAWK ENERGY CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

1311
(Primary Standard Industrial
Classification Code Number)
1100 Louisiana, Suite 4400

86-0876964
(I.R.S. Employer
Identification Number)

Houston, Texas 77002

(832) 204-2700

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(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Floyd C. Wilson

Chairman, President and Chief Executive Officer

Petrohawk Energy Corporation

1100 Louisiana, Suite 4400

Houston, Texas 77002

(832) 204-2700

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this Registration Statement and the effective time of the merger as described in the Amended and Restated Agreement and Plan of Merger, effective as of April 20, 2006, included as Annex A to the joint proxy statement/prospectus forming a part of this Registration Statement.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) 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. "

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. "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
		Per Share		
Common Stock, par value \$0.001	88,000,000		\$ 1,115,023,324	\$ 119,308

- (1) Represents the number of shares of the common stock of the registrant that may be issued to former stockholders of KCS Energy, Inc. (KCS) pursuant to the merger described herein.
- (2) Pursuant to Securities Act Rule 457(c), (f)(1) and (f)(3), and estimated solely for purposes of calculating the registration fee, the proposed maximum aggregate offering price is \$1,115,023,324, which equals (1) the product of (a) the average of the high and low prices of the common stock of KCS of \$29.065, as reported on the New York Stock Exchange on May 16, 2006 and (b) the maximum total number of shares of common stock of KCS to be canceled (which is 53,845,633 shares), less (2) the maximum amount of cash to be paid by the Registrant in exchange for shares of KCS common stock (which equals \$450,000,000).
- (3) Previously paid.

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 that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the 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 document is not complete and may be changed. Petrohawk may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 31, 2006

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Petrohawk Energy Corporation (Petrohawk) and KCS Energy, Inc. (KCS) have entered into an amended and restated agreement and plan of merger effective as of April 20, 2006 (the merger agreement). Under the merger agreement, Petrohawk will combine with KCS through a merger of KCS with and into Petrohawk (the merger). The merger agreement is attached as *Annex A* to this joint proxy statement/prospectus and is incorporated into this joint proxy statement/prospectus by reference. In the merger, each issued and outstanding share of KCS common stock will be converted into the right to receive \$9.00 in cash and 1.65 shares of Petrohawk common stock, other than issued and outstanding shares of KCS restricted stock issued to employees under KCS stock plans. Issued and outstanding shares of restricted common stock of KCS will be converted into issued and outstanding shares of restricted common stock of Petrohawk, outstanding options to purchase KCS common stock will be converted into options to purchase Petrohawk common stock and outstanding performance share awards of KCS will be converted into performance share awards to earn shares of Petrohawk common stock, in each case in such amounts and on such terms as set forth in the merger agreement. In total, Petrohawk will issue approximately 83.7 million shares of common stock and will pay approximately \$450 million in cash based on the shares of KCS common stock outstanding on May 30, 2006.

Your vote is important. We cannot complete the merger unless the KCS stockholders and Petrohawk stockholders approve and adopt the merger agreement and the Petrohawk stockholders approve an amendment to Petrohawk s certificate of incorporation increasing its authorized shares of common stock at their respective stockholder meetings. The obligations of Petrohawk and KCS to complete the merger are also subject to the satisfaction or waiver of certain other conditions to the merger. The places, dates and times of the respective stockholder meetings of Petrohawk and KCS are as follows:

For Petrohawk stockholders:

For KCS stockholders:

11:00 a.m., Houston, Texas time,

10:00 a.m., Houston, Texas time,

July 12, 2006

July 12, 2006

Hotel Derek

Hotel Derek

2525 West Loop South

2525 West Loop South

Houston, Texas 77027

Houston, Texas 77027

This joint proxy statement/prospectus gives you detailed information about the respective stockholder meetings of Petrohawk and KCS and the proposed merger. **We urge you to read this joint proxy statement/prospectus carefully, including Risk Factors on page 17 for a discussion of the risks relating to the merger.** Whether or not you plan to attend your meeting, to ensure your shares are represented at the meeting, please vote as soon as possible by either completing and submitting the enclosed proxy card or voting using the telephone or Internet voting procedures described on your proxy card.

Each of our boards of directors recommends that you vote **FOR** the approval and adoption of the merger agreement, the amendment to Petrohawk s certificate of incorporation and the other matters contemplated to be voted upon at the annual meeting of Petrohawk and the special meeting of KCS.

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Petrohawk common stock is quoted on the Nasdaq National Market under the symbol HAWK. KCS common stock is traded on the New York Stock Exchange under the symbol KCS.

Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or has passed upon the adequacy or accuracy of the disclosure in this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated May 31, 2006 and is first being mailed to Petrohawk stockholders and KCS stockholders on or about June 5, 2006.

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PETROHAWK ENERGY CORPORATION

1100 Louisiana, Suite 4400

Houston, Texas 77002

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Wednesday, July 12, 2006

TO THE STOCKHOLDERS OF PETROHAWK ENERGY CORPORATION:

We will hold the annual meeting of stockholders of Petrohawk Energy Corporation (Petrohawk) at Hotel Derek, 2525 West Loop South, Houston, Texas 77027, on July 12, 2006, at 11:00 a.m. local time, for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Amended and Restated Agreement and Plan of Merger effective as of April 20, 2006 by and between Petrohawk and KCS Energy, Inc. and the transactions contemplated therein, including the issuance of shares of common stock, par value \$0.001 per share, of Petrohawk in the merger.
2. To consider and vote upon a proposal to amend Petrohawk's certificate of incorporation to increase the number of authorized shares of common stock from 125 million shares to 300 million shares.
3. To elect three nominees to the board of directors to serve as Class II directors until their successors are duly elected or until their earlier death, resignation, or removal.
4. To consider and vote upon a proposal to amend Petrohawk's Second Amended and Restated 2004 Employee Incentive Plan to increase the number of authorized shares of common stock under the plan from 4.25 million shares to 7.05 million shares.
5. To consider and vote upon a proposal to amend Petrohawk's Second Amended and Restated 2004 Non-Employee Director Incentive Plan to increase the number of authorized shares of common stock under the plan from 400,000 shares to 600,000 shares.
6. To transact any other business as may properly be brought before the annual meeting or any adjournment or postponement of the annual meeting.

The Petrohawk board of directors has fixed the close of business on May 30, 2006 as the record date for determining those Petrohawk stockholders entitled to vote at the annual meeting and any adjournment or postponement thereof. Accordingly, only stockholders of record at the close of business on that date are entitled to notice of, and to vote at, the annual meeting. A complete list of the Petrohawk stockholders will be available for examination at the offices of Petrohawk in Houston, Texas during ordinary business hours for a period of 10 days prior to the annual meeting.

The board of directors of Petrohawk recommends that Petrohawk stockholders vote **FOR** each of the proposals to be voted on at the annual meeting.

To ensure your representation at the annual meeting, please complete and promptly mail your proxy card in the return envelope enclosed, or authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card or voting instruction card. This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. If your shares are held in street name by your broker or other nominee, only that holder can vote your shares and the vote cannot be cast unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your proxy may be revoked at any time before it is voted. Please review the joint proxy statement/prospectus accompanying this notice for more complete information regarding the matters to be voted on at the meeting.

By Order of the Board of Directors
of Petrohawk Energy Corporation

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Floyd C. Wilson

Chairman, President and Chief Executive Officer

Houston, Texas

May 31, 2006

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KCS ENERGY, INC.

5555 San Felipe Road, Suite 1200

Houston, Texas 77056

(713) 877-8006

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held on Wednesday, July 12, 2006

TO THE STOCKHOLDERS OF KCS ENERGY, INC.:

We will hold a special meeting of stockholders of KCS Energy, Inc. (KCS) at Hotel Derek, 2525 West Loop South, Houston, Texas 77027, on July 12, 2006, at 10:00 a.m. local time, for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Amended and Restated Agreement and Plan of Merger effective as of April 20, 2006 by and between Petrohawk Energy Corporation and KCS.
2. To transact any other business as may properly be brought before the special meeting or any adjournment or postponement of the special meeting.

The KCS board of directors has fixed the close of business on May 30, 2006 as the record date for determining those KCS stockholders entitled to vote at the special meeting and any adjournment or postponement thereof. Accordingly, only stockholders of record at the close of business on that date are entitled to notice of, and to vote at, the special meeting. A complete list of the KCS stockholders will be available for examination at the offices of KCS in Houston, Texas during ordinary business hours for a period of 10 days prior to the special meeting.

The board of directors of KCS recommends that KCS stockholders vote **FOR** the proposal to be voted on at the special meeting.

Under Delaware law, if the merger is completed, holders of KCS common stock who do not vote in favor of, or consent in writing to, approval and adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares, but only if they submit a written demand for such an appraisal prior to the vote on the merger agreement and they comply with the other Delaware law procedures and requirements explained in the accompanying joint proxy statement/prospectus.

To ensure your representation at the special meeting, please complete and promptly mail your proxy card in the return envelope enclosed, or authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card or voting instruction card. This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. If your shares are held in street name by your broker or other nominee, only that holder can vote your shares and the vote cannot be cast unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your proxy may be revoked at any time before it is voted. Please review the joint proxy statement/prospectus accompanying this notice for more complete information regarding the merger and the special meeting.

By Order of the Board of Directors

of KCS Energy, Inc.

James W. Christmas

Chairman and Chief Executive Officer

Houston, Texas

May 31, 2006

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ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates by reference important business and financial information about Petrohawk and KCS from documents that are not included in or delivered with this joint proxy statement/prospectus. See "Where You Can Find More Information" on page 141. This information is available to you without charge upon your written or oral request. You can obtain documents incorporated by reference in this joint proxy statement/prospectus by requesting them in writing or by telephone from Petrohawk or KCS at the following addresses:

Petrohawk Energy Corporation
1100 Louisiana, Suite 4400
Houston, Texas 77002
(832) 204-2700
Attention: Investor Relations

KCS Energy, Inc.
5555 San Felipe Road, Suite 1200
Houston, Texas 77056
(713) 877-8006
Attention: Secretary

You also may obtain these documents at the Securities and Exchange Commission's website, www.sec.gov, and you may obtain certain of these documents at Petrohawk's website, www.petrohawk.com, by selecting "Investor Relations" and then selecting "SEC Filings," and at KCS's website, www.kcsenergy.com, by selecting "Investor Relations" and then selecting "SEC Filings." Information contained on the Petrohawk and KCS websites is expressly not incorporated by reference into this joint proxy statement/prospectus. To receive timely delivery of the documents in advance of the Petrohawk annual meeting of stockholders or the KCS special meeting of stockholders, your request should be received no later than June 30, 2006.

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QUESTIONS AND ANSWERS ABOUT VOTING PROCEDURES

FOR THE ANNUAL AND SPECIAL MEETINGS

Q: What am I voting on?

A: Petrohawk and KCS are proposing to combine the two companies. You are being asked to vote to approve and adopt the merger agreement and, in the case of Petrohawk, to approve an amendment to its certificate of incorporation to increase its authorized shares of common stock in connection with the merger. In the proposed merger, KCS will merge into Petrohawk, Petrohawk will be the surviving entity and KCS will no longer be a separate company.

If you are a Petrohawk stockholder, you are also being asked to approve certain other proposals described in this joint proxy statement/prospectus.

Q: Why is my vote important?

A: Under the Delaware General Corporation Law (the "DGCL"), which governs KCS, the merger agreement must be approved and adopted by the holders of a majority of the outstanding shares of KCS common stock entitled to vote. Accordingly, if a KCS stockholder fails to vote, or if a KCS stockholder abstains, that will have the same effect as a vote against approval and adoption of the merger agreement.

In addition, under the DGCL, which also governs Petrohawk, approval and adoption of the merger agreement and the proposed amendment to Petrohawk's certificate of incorporation to increase the number of authorized shares of common stock from 125 million shares to 300 million shares must be approved by the holders of a majority of the outstanding shares of Petrohawk common stock and preferred stock entitled to vote. Accordingly, if a Petrohawk stockholder fails to vote, or if a Petrohawk stockholder abstains, that will have the same effect as a vote against these proposals. Approval of the amendment to the Petrohawk certificate of incorporation is a condition to the merger.

Under the rules of the Nasdaq National Market, the amendments to increase the shares available for issuance under Petrohawk's Second Amended and Restated 2004 Employee Incentive Plan (the "2004 Employee Incentive Plan") and Second Amended and Restated 2004 Non-Employee Director Incentive Plan (the "2004 Non-Employee Director Incentive Plan") require the affirmative vote of a majority of the shares of common stock voted at the Petrohawk annual meeting so long as the shares voted represent over 50% of the shares entitled to vote at the meeting. Accordingly, assuming that a quorum is present and that the total votes cast at the Petrohawk annual meeting represent more than 50% of all Petrohawk common stock entitled to vote, the failure of a Petrohawk stockholder to vote or a decision by a Petrohawk stockholder to abstain will have no effect in determining whether these proposals are approved.

Q: Should I send in my proxy card even if I plan to attend the stockholder meeting?

A: Yes. Although you are invited to attend the stockholder meeting and vote your shares in person rather than by signing and returning your proxy card, you can help ensure that your shares will be represented at the meeting by submitting your proxy card as soon as possible.

Q: What do I need to do now?

A: After you have carefully read this joint proxy statement/prospectus, please respond by completing, signing and dating your proxy card and returning it in the enclosed postage-paid envelope or, if available, by submitting your proxy or voting instruction by telephone or through the Internet as soon as possible so that your shares will be represented and voted at your stockholders' meeting.

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Q: What do I do if I want to change my vote after I have delivered my proxy card?

A: You may change your vote at any time before your proxy is voted at your meeting. You can do this in any of the three following ways:

by sending a written notice to the Secretary of Petrohawk or KCS, as appropriate, in time to be received before your meeting stating that you would like to revoke your proxy;

by completing, signing and dating another proxy card and returning it by mail in time to be received before your stockholders' meeting or, if you submitted your proxy through the Internet or by telephone, you can change your vote by submitting a proxy card at a later date, in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or

if you are a holder of record, by attending your stockholders' meeting and voting in person.

If your shares are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

Q: If my shares are held in street name by my broker or other nominee, will my broker or other nominee vote my shares for me?

A: If you are a KCS stockholder, your broker will NOT vote your shares held in street name unless you instruct your broker how to vote. The failure to vote will have the same effect as a vote AGAINST approval and adoption of the merger agreement.

If you are a Petrohawk stockholder, your broker will NOT vote your shares held in street name on the approval and adoption of the merger agreement, the amendment of the certificate of incorporation to increase the number of authorized shares of common stock, or the amendments to Petrohawk's incentive plans to increase the shares of common stock available thereunder unless you instruct your broker how to vote. Accordingly, the failure to vote will have the same effect as a vote AGAINST approval and adoption of the merger agreement and the amendment of the certificate of incorporation and will make it more difficult for Petrohawk to satisfy the NASDAQ requirement that more than 50% of the Petrohawk common stock cast votes on the proposals to amend Petrohawk's incentive plans. You should therefore provide your broker or other nominee with instructions as to how to vote your shares.

Q: What will I receive in exchange for my KCS shares?

A: Upon completion of the merger, you will receive a combination of 1.65 shares of Petrohawk common stock and \$9.00 in cash, without interest, for each share of KCS common stock that you own, unless you hold KCS restricted shares issued under a KCS stock plan. In that case, you will receive restricted shares of Petrohawk common stock for each restricted share of KCS you hold determined by adding the exchange ratio (1.65) to the result obtained by dividing the cash consideration (\$9.00) by the average closing price of Petrohawk common stock for the five trading days preceding the date on which the merger occurs.

Q: Do I have the option to receive all cash consideration or all stock consideration for my KCS shares?

A: No. KCS stockholders will receive the fixed combination of \$9.00 in cash and 1.65 shares of Petrohawk common stock for each share of KCS common stock that they own. Holders of KCS restricted shares issued to employees under KCS stock plans will receive Petrohawk restricted shares as described above.

Q: If I am a KCS stockholder, should I send in my stock certificates with my proxy card?

A: No. Please DO NOT send your KCS stock certificates with your proxy card. After the merger is completed, you will receive written instructions informing you how to send in your stock certificates to receive the merger consideration. In the event the merger agreement is terminated, any KCS stock certificates you previously sent to the exchange agent will be promptly returned to you without charge.

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Q: Do I have dissenters rights?

A: Under the DGCL, if the merger is completed, holders of KCS common stock who do not vote in favor of, or consent in writing to, the approval and adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares, but only if they submit a written demand for such an appraisal prior to the vote on the merger agreement and they comply with the other Delaware law procedures and requirements explained in the accompanying joint proxy statement/prospectus.

Q: Who can I call with questions about the stockholders meetings, the merger and the other matters to be voted upon?

A: If you have any questions about these matters or how to submit your proxy or voting instruction card, or if you need additional copies of this document or the enclosed proxy card or voting instruction card, you should contact:

if you are a Petrohawk stockholder:
Petrohawk Energy Corporation

1100 Louisiana, Suite 4400

Houston, Texas 77002

(832) 204-2700

Attention: Investor Relations

if you are a KCS stockholder:
KCS Energy, Inc.

5555 San Felipe Road, Suite 1200

Houston, Texas 77056

(713) 877-8006

Attention: Secretary

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SUMMARY

This brief summary highlights selected information from this joint proxy statement/prospectus. It does not contain all of the information that may be important to you. You should carefully read this entire document and the other documents to which this joint proxy statement/prospectus refers you to fully understand the merger and the other matters discussed in this joint proxy statement/prospectus. See **Where You Can Find More Information** on page 141. Each item in this summary refers to the page where that subject is discussed in more detail. We have defined certain oil and gas industry terms used in this document in the **Glossary of Oil and Gas Terms** beginning on page 144.

Information about Petrohawk and KCS (Pages 28 and 30)

Petrohawk Energy Corporation

1100 Louisiana, Suite 4400

Houston, Texas 77002

(832) 204-2700

Petrohawk is a Delaware corporation. Petrohawk's common stock is quoted on the Nasdaq National Market under the symbol **HAWK**. Petrohawk is an independent oil and gas company engaged in the acquisition, development, production and exploration of natural gas and oil properties located in North America. Petrohawk's properties are concentrated in the East Texas/North Louisiana, Gulf Coast, South Texas, Permian Basin, Anadarko and Arkoma regions.

KCS Energy, Inc.

5555 San Felipe Road, Suite 1200

Houston, Texas 77056

(713) 877-8006

KCS is a Delaware corporation. KCS's common stock is traded on the New York Stock Exchange under the symbol **KCS**. KCS is an independent oil and gas company engaged in the acquisition, exploration, development and production of natural gas and oil properties primarily located in the Mid-Continent and onshore Gulf Coast regions of the United States. KCS also has interests in producing properties in Michigan, California, Wyoming and offshore Gulf of Mexico.

The Merger

KCS Will Merge with Petrohawk, and Petrohawk will be the Surviving Entity (Page 31)

We propose a merger of KCS with and into Petrohawk, and Petrohawk will be the surviving entity. We have attached the merger agreement to this joint proxy statement/prospectus as *Annex A*. Please read the merger agreement carefully. It is the legal document that governs the merger. **Subject to satisfaction of other conditions to the merger, we anticipate that the closing of the merger will occur within five business days after the approval and adoption of the merger agreement by the requisite votes of the KCS stockholders and the Petrohawk stockholders and, in the case of Petrohawk, the approval of the amendment of the certificate of incorporation of Petrohawk to increase the authorized shares of common stock of Petrohawk by the requisite vote of the Petrohawk stockholders.**

Ownership of Petrohawk After the Merger

KCS stockholders will receive a total of approximately 83.7 million shares of Petrohawk common stock and approximately \$450 million in cash in the merger. The shares of Petrohawk to be received by KCS stockholders

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in the merger will represent approximately 50% of the outstanding shares of Petrohawk common stock after the merger. Upon completion of the merger, Petrohawk will have approximately 167 million shares of common stock outstanding. This information is based upon the number of Petrohawk and KCS shares outstanding on May 30, 2006 and does not take into account the exercise of appraisal rights, adjustments for fractional shares, or the issuance of shares pursuant to stock options or other equity-based awards or other issuances before the merger as permitted by the merger agreement.

Governance

The merger agreement provides that immediately following the effective time, Petrohawk will take all corporate action necessary or advisable to cause the election to Petrohawk's board of directors a total of nine persons, five individuals to be designated by Petrohawk (one of which to be Floyd C. Wilson) and four individuals to be designated by KCS (one of which to be James W. Christmas). All individuals to be designated, other than Mr. Wilson and Mr. Christmas, must be outside, independent members of Petrohawk's or KCS's current board or must have been approved by the other party. The merger agreement further provides that the persons designated by KCS must be appointed or elected in such a manner as to cause each class of Petrohawk's board of directors to include at least one of KCS's designees and that Mr. Christmas must be appointed or elected to the class having the longest term. In addition, Petrohawk must also cause the Petrohawk board of directors to appoint to each of its committees at least one of its members who is a KCS designee and at least one member who is a Petrohawk designee.

The four individuals (including Mr. Christmas) designated by KCS to serve on the Petrohawk board of directors will not be nominated for election to the Petrohawk board at the annual meeting. When the merger is consummated, it is anticipated that four members of Petrohawk's board of directors will resign and the remaining Petrohawk board members will appoint Mr. Christmas and three other persons designated by KCS to the Petrohawk board. Petrohawk expects that David B. Miller, David A.B. Brown, Herbert C. Williamson, III and Daniel A. Rioux will resign from the Petrohawk board and KCS expects to designate four of its current directors, Mr. Christmas, Gary A. Merriman, Robert G. Raynolds and Christopher A. Viggiano, for appointment to the Petrohawk board of directors.

Market Prices and Share Information

The following table shows the closing sale prices of Petrohawk and KCS common stock as reported on the Nasdaq and the New York Stock Exchange, or NYSE, respectively, on April 20, 2006, the last business day preceding the press release announcing the merger agreement, and on May 30, 2006, the last practicable day before the distribution of this joint proxy statement/prospectus. This table also shows the merger consideration equivalent proposed for each non-restricted share of KCS common stock, which we calculated by multiplying the closing price of Petrohawk common stock on those dates by the exchange ratio of 1.65 and adding the cash consideration of \$9.00.

	Closing Price per Share	
	April 20, 2006	May 30, 2006
Petrohawk common stock	\$ 13.58	\$ 11.39
KCS common stock	\$ 28.66	\$ 27.61
KCS merger consideration equivalent	\$ 31.41	\$ 27.79

Because the 1.65 exchange ratio is fixed and will not be adjusted as a result of changes in the market price of Petrohawk common stock, the merger consideration equivalent will fluctuate with the market price of Petrohawk common stock. The merger agreement does not include a price-based termination right or provisions that would limit the impact of increases or decreases in the market price of Petrohawk common stock. You should obtain current market quotations for the shares of both companies from a newspaper, the Internet or your broker prior to voting on the merger agreement.

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Holders of restricted shares of KCS common stock issued under KCS stock plans will receive restricted shares of Petrohawk common stock having a value equivalent to the merger consideration. The number of shares of Petrohawk restricted stock to be issued for each restricted share of KCS will be determined by adding the exchange ratio (1.65) to the result obtained by dividing the cash amount (\$9.00) by the average closing price of Petrohawk common stock for the five trading days preceding the date on which the merger occurs.

Dividend Policy of Petrohawk (Page 97)

Petrohawk has never paid any cash dividends on its common stock. Petrohawk does not expect to declare or pay any cash or other dividends in the foreseeable future on its common stock. Holders of Petrohawk's 8% cumulative convertible preferred stock are entitled to receive cumulative dividends at the annual rate of \$0.74 per share when and as declared by the board of directors of Petrohawk. No dividends may be paid on Petrohawk's common stock unless all cumulative dividends due on all of the 8% cumulative convertible preferred stock have been declared and paid. Petrohawk's existing revolving credit facility restricts the payment of cash dividends on common stock and preferred stock (other than the 8% cumulative convertible preferred stock). Petrohawk's current senior note indenture restricts the payment of dividends, and Petrohawk may also enter into credit agreements or other borrowing arrangements in the future that restrict the ability to declare and pay cash dividends. Upon consummation of the merger, the existing KCS senior note indenture will become binding on Petrohawk and will restrict Petrohawk's ability to declare and pay cash dividends.

The Meetings and Voting

Petrohawk Annual Meeting of Stockholders (Page 23)

The Petrohawk annual meeting will be held in Houston on July 12, 2006 at 11:00 a.m., local time. At the annual meeting, you will be asked:

1. To consider and vote upon a proposal to approve and adopt the Amended and Restated Agreement and Plan of Merger effective as of April 20, 2006 by and between Petrohawk and KCS Energy, Inc. and the transactions contemplated therein, including the issuance of shares of common stock, par value \$0.001 per share, of Petrohawk in the merger.
2. To consider and vote upon a proposal to amend Petrohawk's certificate of incorporation to increase the number of authorized shares of common stock from 125 million shares to 300 million shares.
3. To elect three nominees to the board of directors to serve as Class II directors until their successors are duly elected or until their earlier death, resignation, or removal.
4. To consider and vote upon a proposal to amend Petrohawk's Second Amended and Restated 2004 Employee Incentive Plan to increase the number of authorized shares of common stock under the plan from 4.25 million shares to 7.05 million shares.
5. To consider and vote upon a proposal to amend Petrohawk's Second Amended and Restated 2004 Non-Employee Director Incentive Plan to increase the number of authorized shares of common stock under the plan from 400,000 shares to 600,000 shares.
6. To transact any other business as may properly be brought before the annual meeting or any adjournment or postponement of the annual meeting.

You can vote at the Petrohawk annual meeting if you owned Petrohawk common stock or 8% cumulative convertible preferred stock at the close of business on May 30, 2006. On that date, there were 83,604,678 shares of Petrohawk common stock outstanding and entitled to vote, approximately 4.6% of which were owned and

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entitled to be voted by Petrohawk directors and executive officers and their affiliates. Also on that date, there were 593,271 shares of Petrohawk 8% cumulative convertible preferred stock outstanding and entitled to vote, none of which were owned by Petrohawk directors and executive officers and their affiliates. Additionally, parties owning approximately 4% of Petrohawk common stock have entered into separate voting agreements with Petrohawk and KCS pursuant to which they have agreed, among other things, to vote all shares owned by each of them in favor of the transactions contemplated in the merger agreement. You can cast one vote for each share of Petrohawk common stock you owned on that date. Each holder of Petrohawk's 8% cumulative convertible preferred stock is entitled to one vote for every two shares of 8% cumulative convertible preferred stock owned on that date.

Approval and adoption of the merger agreement and approval of the amendment to the certificate of incorporation by the Petrohawk stockholders requires the affirmative vote of holders of a majority of the outstanding shares of Petrohawk stock entitled to vote. Consequently, broker non-votes and abstentions on these matters have the effect of a vote **AGAINST** the matter.

Each of the directors nominated to serve on Petrohawk's board of directors as Class II directors are elected by a plurality of the votes of Petrohawk's stockholders present in person or represented by written proxy at the annual meeting. Any shares not voted (whether by withholding the vote, broker non-vote or otherwise) have no impact in the election of directors, except to the extent the failure to vote for an individual results in another candidate receiving a larger number of votes.

Approval of the amendment to the 2004 Employee Incentive Plan and the amendment to the 2004 Non-Employee Director Incentive Plan requires affirmative vote of a majority of the votes cast at the meeting. Broker non-votes and abstentions on these matters have no impact, provided that a quorum is present.

KCS Special Stockholder Meeting (Page 25)

The KCS special meeting will be held in Houston, Texas on July 12, 2006 at 10:00 a.m., local time. At the special meeting, you will be asked:

1. To consider and vote upon a proposal to approve and adopt the Amended and Restated Agreement and Plan of Merger effective as of April 20, 2006 by and between Petrohawk Energy Corporation and KCS.
2. To transact any other business as may properly be brought before the special meeting or any adjournment or postponement of the special meeting.

You can vote at the KCS special meeting if you owned KCS common stock at the close of business on May 30, 2006. On that date, there were 50,550,119 shares of KCS common stock outstanding and entitled to vote, approximately 4.4% of which were owned and entitled to be voted by KCS directors and executive officers and their affiliates. Certain KCS executive officers owning approximately 3% of KCS common stock have entered into separate voting agreements with Petrohawk and KCS pursuant to which they have agreed, among other things, to vote all shares owned by each of them in favor of the merger. You can cast one vote for each share of KCS common stock you owned on that date. Approval and adoption of the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of KCS common stock entitled to vote. Consequently, broker non-votes and abstentions on this matter have the effect of a vote **AGAINST** the matter.

Boards of Directors Recommendations to Stockholders (Page 37)

The Petrohawk board of directors believes that the merger and the transactions contemplated in the merger agreement are fair to and in the best interests of the Petrohawk stockholders, and recommends that Petrohawk

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stockholders vote FOR the approval and adoption of the merger agreement and the transactions contemplated therein. In addition, the Petrohawk board of directors believes that the amendment to Petrohawk's certificate of incorporation, which is also a condition of the merger, and the amendments of the 2004 Non-Employee Director Incentive Plan and the 2004 Employee Incentive Plan and the election of the persons nominated as directors to the board of directors are in the best interests of the Petrohawk stockholders and recommends that the Petrohawk stockholders vote FOR each of these proposals.

The KCS board of directors believes that the merger is fair to and in the best interests of the KCS stockholders, and recommends that KCS stockholders vote FOR the approval and adoption of the merger agreement.

To review the background and reasons for the merger in greater detail see The Merger Background of the Merger beginning on page 32 of this document, and to review certain risks related to the merger, see Risk Factors beginning on page 17 of this document, The Merger Recommendation of Petrohawk's Board of Directors and Reasons for the Merger, beginning on page 37 of this document and The Merger Recommendation of KCS's Board of Directors and Reasons for the Merger beginning on page 39 of this document. Please refer to Proposed Amendment to Petrohawk's Certificate of Incorporation beginning on page 106 of this document, Election of Petrohawk Directors beginning on page 108 of this document, Proposed Amendment to Petrohawk's 2004 Employee Incentive Plan beginning on page 125 of this document and Proposed Amendment To Petrohawk's 2004 Non-Employee Director Incentive Plan beginning on page 128 of this document for a more complete discussion of the other Petrohawk proposals.

Matters to Be Considered in Deciding How to Vote

Fairness Opinion of Petrie Parkman & Co., Inc. to the Petrohawk Board of Directors (Page 41)

In connection with the merger, Petrohawk engaged Petrie Parkman & Co., Inc. (Petrie Parkman) solely to render an opinion to Petrohawk as to the fairness, from a financial point of view, to Petrohawk of the consideration to be paid by Petrohawk in a potential transaction with KCS. In deciding to approve the merger agreement, the Petrohawk board of directors considered the opinion of Petrie Parkman provided to the Petrohawk board of directors on April 20, 2006, that, based upon and subject to the assumptions made, matters considered, qualifications, and limitations set forth in the written opinion, as of that date, the financial consideration to be paid by Petrohawk in the merger was fair, from a financial point of view, to Petrohawk.

The full text of the written opinion of Petrie Parkman, dated April 20, 2006, which sets forth, among other things, the assumptions made, matters considered, qualifications, and limitations on the review undertaken by Petrie Parkman in connection with the opinion, is attached to this document as *Annex B*. Petrie Parkman provided its opinion for the information and assistance of the Petrohawk board of directors in connection with its consideration of the transactions contemplated in the merger agreement. The Petrie Parkman opinion is not a recommendation as to how any stockholder of Petrohawk or KCS should vote or act with respect to any matter relating to the merger.

Fairness Opinion of Morgan Stanley to the KCS Board of Directors (Page 50)

In connection with the merger, KCS retained Morgan Stanley & Co. Incorporated (Morgan Stanley) to opine on the fairness of the consideration to be received by the holders of shares of KCS common stock pursuant to the merger agreement from a financial point of view to the KCS stockholders. In deciding to approve the merger agreement, the KCS board of directors considered, among other things, the opinion of Morgan Stanley provided to the KCS board of directors on April 20, 2006, that, as of the date of the opinion and based upon and subject to the matters set forth in its opinion, the consideration to be received by holders of KCS common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

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The full text of the written opinion of Morgan Stanley, dated April 20, 2006, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations of the review undertaken by Morgan Stanley in rendering its opinion, is attached to this document as *Annex C*. Morgan Stanley provided its opinion for the information and assistance of the KCS board of directors in connection with its consideration of the transaction contemplated in the merger agreement. The Morgan Stanley opinion is not a recommendation as to how any stockholder of KCS or Petrohawk should vote on the merger.

The Merger Generally Will Be Tax-Free to U.S. Holders and Certain Non-U.S. Holders of KCS Common Stock to the Extent They Receive Petrohawk Common Stock (Page 74)

Based on the opinions of Andrews Kurth LLP, outside counsel to KCS, and Thompson & Knight LLP, outside counsel to Petrohawk, we expect that the material U.S. federal income tax consequences of the merger to KCS stockholders that are U.S. persons will be as follows:

You generally will recognize (i.e., take into account for tax purposes) gain (but not loss) equal to the lesser of (1) the excess of the sum of the cash (including cash instead of a fractional share of Petrohawk common stock) and the fair market value of the Petrohawk common stock received over your adjusted tax basis in the KCS stock surrendered, or (2) the amount of cash received.

Your holding period for the Petrohawk common stock received in the merger generally will include your holding period for the KCS common stock exchanged in the merger.

Your aggregate tax basis of the shares of Petrohawk common stock received in exchange for your KCS common stock pursuant to the merger will be the same as the aggregate tax basis of your KCS common stock surrendered in the merger decreased by the amount of cash received in the merger and increased by the amount of gain recognized in the merger.

If you are a non-U.S. person that owns or has owned more than 5% of the outstanding shares of KCS common stock at any time during the shorter of (1) the five-year period ending on the effective time of the merger or (2) the period during which you held such KCS common stock (referred to as the Testing Period), and you exchange your KCS common stock for Petrohawk common stock constituting 5% or less of the outstanding shares of Petrohawk common stock immediately after the merger, we expect the U.S. federal income tax consequences to you to be as follows:

You will recognize gain or loss measured by the difference between (1) the amount of any cash received (including cash instead of a fractional share of Petrohawk common stock) and the fair market value of the Petrohawk common stock received in the merger, and (2) the adjusted tax basis in the KCS common stock you surrender in the merger.

The aggregate tax basis of the Petrohawk common stock received in the merger will equal the fair market value of such Petrohawk common stock as of the effective time of the merger.

The holding period for the Petrohawk common stock received in the merger will begin the day after the effective time of the merger. If you are a non-U.S. person that has owned more than 5% of the outstanding shares of KCS common stock at any time during the Testing Period, and you own more than 5% of the outstanding shares of Petrohawk common stock immediately after the merger, we expect the U.S. federal income tax consequences to you generally to be the same as previously described with respect to a U.S. person.

We expect the tax consequences to a KCS stockholder that is a non-U.S. person and who has not held more than 5% of KCS's outstanding common stock at any time during the Testing Period to be as follows:

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You will not be subject to U.S. federal income tax on any gain or loss you realize if you exchange your KCS common stock for cash and Petrohawk common stock in the merger.

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The aggregate tax basis of the Petrohawk common stock received in the merger will be equal to the aggregate tax basis of the KCS common stock surrendered, decreased (but not below zero) by the amount of cash received in the merger.

The holding period for shares of Petrohawk common stock received in exchange for shares of KCS common stock in the merger will include the holding period of your KCS common stock exchanged in the merger.

Please refer to *The Merger Material U.S. Federal Income Tax Consequences* beginning on page 74 of this document for a more complete discussion of the U.S. federal income tax consequences of the merger. Determining the actual tax consequences of the merger to you may be complex and will depend on your specific situation. You should consult your tax advisor for a full understanding of the merger's tax consequences for you.

Certain KCS Directors and Executive Officers May Have Interests in the Merger that are in Addition to their Interests as Stockholders (Page 82)

In considering the recommendation of the KCS board of directors with respect to approval and adoption of the merger agreement, KCS stockholders should be aware that certain executive officers and directors of KCS may have interests in the merger that are in addition to the interests of other stockholders of KCS generally. Certain executive officers of KCS, for example, are parties to change in control or employment agreements with KCS that, in certain circumstances, and among other benefits, provide for severance payments, accelerated vesting of stock options and performance stock awards and the lapse of restrictions on restricted stock upon a termination of employment following a change in control of KCS.

The Merger is Expected to Occur in July 2006 (Page 60)

The merger will occur after all the conditions to its completion have been satisfied or, if permissible, waived. Currently, we anticipate that the merger will occur within five business days after the Petrohawk and KCS stockholder meetings. However, we cannot assure you when or if the merger will occur. If the merger has not been completed on or before December 31, 2006, either Petrohawk or KCS may terminate the merger agreement unless the failure to complete the merger by that date is due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligations under the merger agreement or a material breach of the merger agreement by such party.

Completion of the Merger is Subject to Certain Conditions (Page 61)

The completion of the merger is subject to a number of customary conditions being met, including approval and adoption of the merger agreement by the stockholders of KCS and Petrohawk, the approval by Petrohawk stockholders of the amendment to the certificate of incorporation of Petrohawk to increase the authorized shares of common stock to 300 million and the approvals of regulatory agencies. Additional conditions to the completion of the merger include the satisfaction by Petrohawk of certain liquidity requirements and the absence of defaults under the existing Petrohawk and KCS indentures.

Where the law permits, a party to the merger agreement could elect to waive a condition to its obligation to complete the merger, even if that condition has not been satisfied. We cannot be certain when (or if) the conditions to the merger will be satisfied or waived or that the merger will be completed.

Termination of the Merger Agreement; Fees Payable (Page 72)

We may terminate the merger agreement by mutual written consent at any time. Either of us also may terminate the merger agreement if:

the merger is not completed on or before December 31, 2006 (although this termination right is not available to a party whose failure to fulfill any material obligations under, or material breach of, the merger agreement resulted in the failure to complete the merger by that date);

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a court or other governmental entity of competent jurisdiction issues a final nonappealable order having the effect of permanently enjoining or otherwise prohibiting the merger;

the stockholders of KCS do not approve and adopt the merger agreement at the KCS stockholders' meeting;

the other party is in breach of its representations, warranties, covenants or agreements set forth in the merger agreement and the breach rises to a level that would excuse the terminating party's obligation to complete the merger and is not cured in 30 days or cannot be cured by December 31, 2006;

the stockholders of Petrohawk do not approve and adopt the merger agreement and the amendment of the certificate of incorporation of Petrohawk to increase the authorized shares of common stock to 300 million at the Petrohawk stockholders' meeting; or

the other party has undergone a material adverse effect at any time prior to completion of the merger.

Additionally, Petrohawk may terminate the merger agreement if, prior to obtaining the requisite approval of the KCS stockholders to approve and adopt the merger agreement, there occurs a change in KCS's recommendation that its stockholders approve and adopt the merger agreement. KCS may terminate the merger agreement if, prior to obtaining the requisite approval of the KCS stockholders to approve and adopt the merger agreement, KCS enters into an agreement or its board recommends that KCS enter into an agreement with a third party that would result in the third party owning or controlling 10% or more of KCS's common stock or assets.

The merger agreement provides that in limited circumstances described more fully beginning on page 70 of this document, if there occurs a change in KCS's recommendation that its stockholders approve and adopt the merger agreement, or if the merger agreement is otherwise terminated after KCS shall have received a third party acquisition proposal and KCS enters into an agreement with respect to that proposal within 12 months of termination of the merger agreement, then in either event KCS will be required to pay a termination fee of \$45 million to Petrohawk. The effect of this termination fee could be to discourage other companies from seeking to acquire or merge with KCS prior to completion of the merger, and could cause KCS to reject any acquisition proposal from a third party which does not take into account the termination fee.

We May Amend the Terms of the Merger and Waive Rights Under the Merger Agreement (Page 80)

We may jointly amend the terms of the merger agreement, and either party may waive its right to require the other party to adhere to any of those terms, to the extent legally permissible. However, after the KCS stockholders approve and adopt the merger agreement, they must approve any amendment or waiver that alters or changes the form of the consideration that will be received by them or any alteration or change that adversely affects the KCS stockholders.

Appraisal Rights (Page 82)

Shares of KCS common stock outstanding immediately prior to the effective time of the merger and held by a holder who has not voted in favor of, or consented in writing to, the approval and adoption of the merger agreement and who has delivered a written demand for appraisal of such shares in accordance with Section 262 of the DGCL will not be converted into the right to receive the merger consideration, unless and until the dissenting holder fails to perfect or effectively withdraws or otherwise loses his or her right to appraisal and payment under the DGCL. If, after the effective time of the merger, a dissenting stockholder fails to perfect or effectively withdraws or loses his or her right to appraisal, his or her shares of KCS common stock will be treated as if they had been converted as of the effective time of the merger into the right to receive the merger consideration without interest.

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Comparison of the Rights of KCS Stockholders and Petrohawk Stockholders (Page 99)

KCS stockholders will become Petrohawk stockholders upon the effective time of the merger, and their rights as such will be governed by Petrohawk's certificate of incorporation and bylaws. See Comparison of Rights of Holders of Petrohawk Common Stock and KCS Common Stock beginning on page 99 for a description of the material differences between the rights of Petrohawk stockholders and KCS stockholders.

Table of Contents**PETROHAWK ENERGY CORPORATION****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA**

Set forth below are highlights from Petrohawk's unaudited consolidated financial data as of and for the quarters ended March 31, 2006 and 2005 derived from the unaudited consolidated financial statements filed on Form 10-Q for each respective period, and audited consolidated financial data for the years ended December 31, 2003 through 2005 derived from the audited consolidated financial statements filed on Form 10-K for each respective period. This information should be read together with Petrohawk's consolidated financial statements and related notes included in Petrohawk's quarterly report on Form 10-Q for the quarter ended March 31, 2006 and Annual Report on Form 10-K, as amended, for the year ended December 31, 2005, which are incorporated by reference in this document and from which this information is derived. The completion of the acquisitions of Winwell Resources, Inc. in January 2006, of Mission Resources Corporation in July 2005 and of Wynn-Crosby Energy, Inc. and certain of its affiliates in November 2004 affects the comparability of financial data for the periods presented.

	Quarter Ended March 31,		Year Ended December 31,		
	2006	2005	2005	2004	2003(3)
	(In thousands, except per share amounts)				
Income Statement Data:					
Operating revenues:					
Oil and gas sales	\$ 103,006	\$ 32,326	\$ 258,039	\$ 33,577	\$ 12,925
Operating expenses:					
Production expenses	14,140	5,278	36,079	5,860	2,587
Taxes other than income	8,298	2,326	18,497	2,319	875
General and administrative expenses (including stock compensation)	6,688	4,879	25,034	11,331	2,930
Full cost ceiling impairment					129
Depreciation, depletion and amortization	37,450	10,814	74,539	9,368	4,908
Total operating expenses	66,576	23,297	154,149	28,878	11,429
Income from operations:	36,430	9,029	103,890	4,699	1,496
Other income (expenses):					
Net gain (loss) on derivative contracts	24,803	(28,652)	(100,380)	7,441	
Interest expense and other	(9,072)	(3,349)	(29,207)	(2,894)	(506)
Total other income (expenses)	15,731	(32,001)	(129,587)	4,547	(506)
Income before income taxes and cumulative effect of accounting	52,161	(22,972)	(25,697)	9,246	990
Income tax (provision) benefit	(19,222)	8,720	9,063	(1,129)	(24)
Net income (loss) before cumulative effect of accounting change	32,939	(14,252)	(16,634)	8,117	966
Cumulative effect of accounting change, net of tax					2
Net income (loss)	32,939	(14,252)	(16,634)	8,117	968
Preferred dividends	(108)	(109)	(440)	(445)	(447)
Net income (loss) available (applicable) to common shareholders	\$ 32,831	\$ (14,361)	\$ (17,074)	\$ 7,672	\$ 521
Earnings (loss) per common share:					
Basic	\$ 0.40	\$ (0.36)	\$ (0.31)	\$ 0.71	\$ 0.08
Diluted	\$ 0.39	\$ (0.36)	\$ (0.31)	\$ 0.36	\$ 0.08
Other Financial Data:					
Net cash provided by operating activities	53,921	20,557	135,446	17,943	5,793
Capital expenditures(2)	51,560	18,156	123,339	13,747	4,095
Balance Sheet Data (at end of period):					
Total assets	1,688,073	542,610	1,410,174	534,199	46,115
Long-term debt(1)	544,099	213,000	494,484	240,000	13,285

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Stockholders' equity	692,858	235,154	526,458	247,091	29,270
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- (1) Includes current portion of long-term debt. Excludes deferred premiums on derivatives.
- (2) Excludes acquisitions.
- (3) Cumulative effect of change in accounting method for 2003 relates to the adoption of SFAS No. 143, Asset Retirement Obligations, on January 1, 2003.

Table of Contents**KCS ENERGY, INC.****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA**

Set forth below are highlights derived from KCS's unaudited consolidated financial data as of and for the quarters ended March 31, 2006 and 2005 derived from the unaudited consolidated financial statements filed on Form 10-Q for each respective period, and audited consolidated financial data for the years ended December 31, 2003 through 2005 derived from the audited consolidated financial statements filed on Form 10-K for each respective period. This information should be read together with KCS's consolidated financial statements and related notes included in KCS's quarterly report on Form 10-Q for the quarter ended March 31, 2006 and Annual Report on Form 10-K, as amended, for the year ended December 31, 2005, which are incorporated by reference in this joint proxy statement/prospectus and from which this information is derived.

	Quarter Ended March 31,		Year Ended December 31,		
	2006	2005	2005	2004(2)	2003(3)
	(In thousands, except per share amounts)				
Income Statement Data:					
Operating revenues:					
Oil and gas sales	\$ 102,514	\$ 61,675	\$ 347,552	\$ 197,385	\$ 131,940
Amortization of deferred revenue	1,177	4,607	16,149	21,370	27,886
Other, net	895	(44)	955	(345)	5,033
Total revenue and other	104,586	66,238	364,656	218,410	164,859
Operating expenses:					
Production expenses	10,902	7,516	35,399	28,600	24,596
Taxes other than income	5,292	3,043	21,357	14,208	10,010
General and administrative expenses (including stock compensation)(1)	3,759	3,133	13,493	11,896	11,065
Depreciation, depletion and amortization	28,430	18,018	93,728	58,338	49,001
Total operating expenses	48,383	31,710	163,977	113,042	94,672
Income from operations:	56,203	34,528	200,679	105,368	70,187
Other income (expenses):					
Net gain (loss) on derivative contracts	7,045	(1,396)	(9,679)	(1,121)	(32)
Redemption premium on early extinguishment of debt				(3,698)	
Interest expense and other	(4,676)	(3,301)	(18,442)	(14,019)	(20,858)
Income before income taxes and cumulative effect of accounting	58,572	29,831	172,558	86,530	49,297
Income tax (provision) benefit	(22,729)	(10,411)	(66,698)	13,905	20,229
Net income before cumulative effect of accounting change	35,843	19,420	105,860	100,435	69,526
Cumulative effect of accounting change, net of tax					(934)
Net income	35,843	19,420	105,860	100,435	68,592
Preferred dividends					(909)
Net income available to common shareholders	\$ 35,843	\$ 19,420	\$ 105,860	\$ 100,435	\$ 67,683
Earnings per common share:					
Basic income	\$ 0.72	\$ 0.39	\$ 2.13	\$ 2.06	\$ 1.71
Diluted income	\$ 0.71	\$ 0.39	\$ 2.11	\$ 2.03	\$ 1.61
Other Financial Data:					
Net cash provided by operating activities	86,270	38,072	239,090	134,066	71,022
Capital expenditures	86,889	61,368	380,667	167,176	88,791
Balance Sheet Data (at end of period):					
Total assets	819,897	534,330	796,242	487,308	342,966

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Long-term debt	275,536	188,000	291,058	175,000	142,000
Deferred revenue		12,719	1,177	17,326	38,696
Stockholders' equity	356,337	212,671	293,647	207,049	98,031

- (1) Includes stock compensation of \$1.0 million in the quarter year ended March 31, 2006, \$0.4 million in the quarter year ended March 31, 2005, \$2.4 million in 2005, \$2.6 million in 2004 and \$2.7 million in 2003.
- (2) Includes a \$13.9 million income tax benefit related to the reversal of the remaining portion of KCS's valuation allowance against net deferred income tax assets.
- (3) Includes a \$20.2 million income tax benefit related to the reversal of a portion of KCS's valuation allowance against net deferred tax assets and a \$0.9 million non-cash charge related to the cumulative effect of an accounting change as a result of the adoption of SFAS No. 143, Accounting for Asset Retirement Obligations.

Table of Contents**SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA**

The following table shows information about Petrohawk's financial condition and results of operations, including per share data, on a pro forma basis after giving effect to the acquisition of Mission Resources Corporation in July 2005, the acquisition of the stock of Winwell Resources, Inc. in January 2006, and the pending merger with KCS. This information is called pro forma financial information in this document. The table sets forth the information as if the KCS merger had become effective on March 31, 2006 (using currently available fair value information), with respect to balance sheet data, and January 1, 2005, with respect to statement of operations data. This unaudited pro forma financial information assumes that the merger with KCS will be accounted for using the purchase method of accounting and represents a current estimate based on available information of the combined company's results of operations. The unaudited pro forma balance sheet data includes adjustments to record the assets and liabilities of KCS at their estimated fair values and is subject to further adjustment as additional information becomes available and as additional analyses are performed.

The merger agreement with KCS was announced on April 21, 2006 and provides for Petrohawk to issue approximately 83.7 million shares of common stock and pay approximately \$450 million in cash as consideration to KCS common stockholders. In addition, as a result of the merger Petrohawk will assume all outstanding KCS debt, which was approximately \$275 million as of March 31, 2006. This table should be read together with, and is qualified in its entirety by, the historical financial statements, including the notes thereto, of Petrohawk and KCS incorporated by reference in this joint proxy statement/prospectus and the more detailed unaudited pro forma condensed combined financial information, including the notes thereto, appearing under "Unaudited Pro Forma Condensed Combined Financial Statements" beginning on page 87.

The unaudited pro forma financial information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of possible revenue enhancements, expense efficiencies, asset dispositions and share repurchases, among other factors that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during these periods.

	As of March 31, 2006 (In thousands)
Pro Forma Balance Sheet Data	
Total assets	\$ 4,074,233
Long-term debt	\$ 1,298,523
Shareholders' equity	\$ 1,848,690

	Quarter Ended March 31, 2006	Year Ended December 31, 2005
	(In thousands, except per share amounts)	
Pro Forma Statement of Operations Data		
Revenues	\$ 214,719	\$ 821,089
Net income (loss)	\$ 79,626	\$ (17,073)
Net income (loss) per share:		
Basic	\$ 0.48	\$ (0.11)
Diluted	\$ 0.47	\$ (0.11)

Table of Contents**Comparative Per Share Data**

The following table sets forth certain historical per share data of Petrohawk and KCS and per share data on an unaudited pro forma combined basis after giving effect to the merger. This table should be read together with, and is qualified in its entirety by, the historical financial statements, including the notes thereto, of Petrohawk and KCS incorporated by reference in this joint proxy statement/prospectus and the more detailed unaudited pro forma condensed combined financial information, including the notes thereto, appearing under Unaudited Pro Forma Condensed Combined Financial Statements as if the merger occurred on January 1, 2005 beginning on page 87:

	Quarter Ended March 31, 2006	Year Ended December 31, 2005
	(In thousands, except per share amounts)	
Petrohawk Historical Per Share Data:		
Net income (loss)	\$ 32,939	\$ (16,634)
Basic	\$ 0.40	\$ (0.31)
Diluted	\$ 0.39	\$ (0.31)
Book value(a)	\$ 8.23	\$ 9.62
KCS Historical Per Share Data:		
Net income	\$ 35,843	\$ 105,860
Basic	\$ 0.72	\$ 2.13
Diluted	\$ 0.71	\$ 2.11
Book value(a)	\$ 7.04	\$ 5.84
Petrohawk Pro Forma Combined Per Share Data(b):		
Net income (loss)	\$ 79,626	\$ (17,073)
Basic	\$ 0.48	\$ (0.11)
Diluted	\$ 0.47	\$ (0.11)
Book value(c)	\$ 10.80	\$ 11.44

- (a) Computed by dividing shareholders' equity by the weighted average number of shares of common stock at the end of such period plus the weighted average dilutive effect of interests in securities (options and other convertible securities).
- (b) This data includes the pro forma impact of the acquisition of Mission Resources Corporation in July 2005, the acquisition of the stock of Winwell Resources, Inc. in January 2006 and the pending merger with KCS.
- (c) Computed by dividing shareholders' equity by the number of outstanding shares of Petrohawk common stock at the end of such period, adjusted to include the estimated number of shares of Petrohawk common stock to be issued in the merger plus the dilutive effect of interests in securities (options and other convertible securities) at the end of such period.

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this document, including, without limitation, Petrohawk's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2005, and Form 10-Q for the quarter ended March 31, 2006, and KCS's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2005, and Form 10-Q for the quarter ended March 31, 2006, you should carefully consider the following risk factors in deciding whether to vote to approve and adopt the merger agreement and, in the case of Petrohawk, to approve the amendment to the certificate of incorporation to increase Petrohawk's authorized shares of common stock.

Because the market price of Petrohawk common stock will fluctuate, KCS stockholders cannot be sure of the value of the merger consideration they will receive.

Upon the effective time of the merger, each share of KCS common stock will be converted into the right to receive merger consideration consisting of 1.65 shares of Petrohawk common stock and \$9.00 in cash pursuant to the terms of the merger agreement, except for restricted shares of KCS common stock issued to employees under KCS stock plans, which will be converted into restricted shares of Petrohawk common stock. Because the 1.65 exchange ratio is fixed and will not be adjusted as a result of changes in the market price of Petrohawk common stock, the value of the merger consideration you will receive will fluctuate with the market price of Petrohawk common stock. The merger agreement does not include a price-based termination right or provisions that would limit the impact of increases or decreases in the market price of Petrohawk common stock or adjust the portion of the merger consideration to be paid in Petrohawk common stock as a result of any change in the market price of shares of Petrohawk common stock between the date of this joint proxy statement/prospectus and the date that you receive shares of Petrohawk common stock in exchange for your shares of KCS common stock. The market price of Petrohawk common stock will likely be different, and may be lower, on the date you receive your shares of Petrohawk common stock than the market price of shares of Petrohawk common stock as of the date of this joint proxy statement/prospectus.

During the 12-month period ending on May 30, 2006, shares of Petrohawk common stock traded in a range from a low of \$8.62 to a high of \$16.25 and ended that period at \$11.39. See "Price Range of Common Stock and Dividends" beginning on page 97 for more detailed share price information. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in oil and natural gas prices, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond our control. If the market price of Petrohawk common stock declines after you vote, you may receive less value than you expected when you voted. Neither Petrohawk nor KCS is permitted to terminate the merger agreement, adjust the merger consideration or resolicit the vote of KCS stockholders because of changes in the market price of their respective common stock.

The merger agreement limits KCS's ability to pursue alternatives to the merger.

The merger agreement contains provisions that could adversely impact competing proposals to acquire KCS. These provisions include the prohibition on KCS generally from soliciting any acquisition proposal or offer for a competing transaction and the requirement that KCS pay a termination fee of \$45 million in cash if the merger agreement is terminated in specified circumstances in connection with an alternative transaction. In addition, even if the board of directors of KCS determines that a competing proposal to acquire KCS is superior, KCS may not exercise its right to terminate the merger agreement unless it notifies Petrohawk of its intention to do so and gives Petrohawk at least four business days to propose revisions to the terms of the merger agreement or to make another proposal in response to the competing proposal. See

KCS's Ability to Make an Adverse Recommendation Change in Response to a Superior Proposal beginning on page 70.

Petrohawk required KCS to agree to these provisions as a condition to Petrohawk's willingness to enter into the merger agreement. These provisions, however, might discourage a third party that might have an interest in acquiring all or a significant part of KCS from considering or proposing that acquisition, even if that party were

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prepared to pay consideration with a higher value than the current proposed merger consideration. Furthermore, the termination fee may result in a potential competing acquiror proposing to pay a lower per share price to acquire KCS than it might otherwise have proposed to pay.

The combined company's debt level may limit its financial flexibility.

As of March 31, 2006, Petrohawk had approximately \$545 million of total debt. As of the same date, KCS had approximately \$275 million of total debt. Assuming that the merger had been completed on March 31, 2006, the combined company would have had approximately \$1.3 billion of total debt on a pro forma basis. The combined company may incur additional debt in the future, including debt in connection with future acquisitions. The level of the combined company's debt could have several important effects on the combined company's future operations, including, among other things:

a significant portion of the combined company's cash flow from operations will be dedicated to the payment of interest on outstanding debt and will not be available for other purposes;

credit rating agencies may in the future view the combined company's debt level negatively;

covenants contained in Petrohawk's and KCS's existing debt arrangements will require the combined company to continue to meet financial tests that may affect the combined company's flexibility in planning for and reacting to changes in its business, including possible acquisition opportunities;

the combined company's ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate and other purposes may be limited;

the combined company may be at a competitive disadvantage to similar companies that have less debt; and

the combined company may be more vulnerable to adverse economic and industry conditions as a result of its significant debt level.

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

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

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

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

Petrohawk utilizes the full cost method of accounting for natural gas and oil exploration and development activities. Under full cost accounting, Petrohawk is required by SEC regulations to perform a ceiling test each

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

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

Goodwill represents the excess of the purchase price paid by Petrohawk for KCS plus liabilities assumed, including deferred taxes recorded in connection with the merger, over the estimated fair market value of the tangible net assets acquired. Petrohawk currently estimates that the goodwill to be recorded in connection with the merger will be approximately \$820 million.

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

The costs of the merger could adversely affect the combined company's operating results.

Petrohawk and KCS estimate the total merger-related costs, exclusive of employee severance and benefit costs, to be approximately \$36 million, primarily consisting of investment banking, legal and accounting fees and financial printing and other related charges. The foregoing estimate is preliminary and is subject to change. In addition, the combined company will incur certain expenses in connection with the integration of Petrohawk's and KCS's businesses.

Certain of KCS's directors and executive officers may have interests in the merger in addition to those of the KCS stockholders.

In considering the recommendations of the KCS board of directors with respect to the merger agreement, you should be aware that KCS's directors and executive officers may have financial and other interests in the merger in addition to their interests as KCS stockholders. The receipt of compensation or other benefits in connection with the merger (including possible severance payments and the potential accelerated vesting of stock options, the potential lapsing of restrictions on restricted stock and possible accelerated award of performance stock) or the continuation or extension of indemnification arrangements and directors' and officers' insurance policies for current directors and executive officers of KCS following completion of the merger, may have influenced these directors and executive officers in making their recommendations to approve and adopt the merger agreement. You should consider these interests in connection with your vote on the merger agreement, including whether these interests may have influenced these directors and executive officers to recommend or support the merger. For a detailed description of the interests of the directors and executive officers of KCS, see "Certain of KCS's Directors and Executive Officers May Have Interests in the Merger that are in Addition to their Interests as Stockholders" beginning on page 82 of this document.

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Business uncertainties and contractual restrictions while the merger is pending may have an adverse effect on KCS.

Uncertainty about the effect of the merger on employees, suppliers, partners, regulators and customers may have an adverse effect on KCS. These uncertainties may impair the ability of KCS to attract, retain and motivate key personnel until the merger is consummated, and could cause suppliers, customers and others that deal with KCS to defer purchases or other decisions concerning KCS, or seek to change existing business relationships with KCS. Employee retention may be particularly challenging while the merger is pending, as employees may experience uncertainty about their future roles with Petrohawk. In addition, the merger agreement restricts KCS from making certain acquisitions and taking other specified actions without Petrohawk's approval. These restrictions could prevent KCS from pursuing attractive business opportunities that may arise prior to the completion of the merger.

Failure to complete the merger or delays in completing the merger could negatively impact Petrohawk's and KCS's stock prices and future business and operations.

If the merger is not completed for any reason, Petrohawk and KCS may be subject to a number of material risks, including the following:

the individual companies will not realize the benefits expected from the merger, including a potentially enhanced financial and competitive position;

under certain circumstances, KCS may be required to pay Petrohawk a termination fee of \$45 million;

the current market price of Petrohawk common stock or KCS common stock may reflect a market assumption that the merger will occur, and a failure to complete the merger could result in a negative perception by the stock market of the applicable company generally and a resulting decline in the market price of its common stock;

certain costs relating to the merger, including certain investment banking fees and expenses and legal and accounting fees and expenses, must be paid even if the merger is not completed;

there may be substantial disruption to each of Petrohawk's and KCS's business and a distraction of each such company's management and employees from day-to-day operations because matters related to the merger (including integration planning) may require substantial commitments of time and resources, which could otherwise have been devoted to other opportunities that could have been beneficial to Petrohawk or KCS, as applicable; and

the businesses of Petrohawk and KCS could be adversely affected if either company is unable to retain key employees or attract qualified replacements.

Ownership by Petrohawk stockholders will be diluted by the merger.

The merger will dilute the ownership position of the current stockholders of Petrohawk. Based on the number of shares of KCS common stock outstanding as of April 20, 2006, Petrohawk would issue to KCS stockholders approximately 83.7 million shares of Petrohawk common stock in the merger. As a result, Petrohawk stockholders and KCS stockholders would each hold approximately 50% of the combined company's common stock outstanding after the completion of the merger.

If the merger is completed, the date that you will receive your merger consideration is uncertain.

If the merger is completed, the date that you will receive your merger consideration depends on the completion date of the merger, which is uncertain. While we expect to complete the merger on or before July 20, 2006, the completion date of the merger might be later than expected due to unforeseen events.

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Petrohawk could elect to waive certain conditions to the merger, which could give third parties the right to terminate or alter existing contracts, declare a default under existing contracts, or otherwise result in liabilities of the combined company to third parties.

The obligation of Petrohawk to consummate the merger is conditioned, among other things, upon the receipt of all material consents and approvals that each of KCS and Petrohawk is required to obtain in connection with the merger. Certain agreements between KCS and Petrohawk and their respective lenders, suppliers, customers or other business partners require the consent or approval of these other parties in connection with the merger. Petrohawk and KCS have agreed to use reasonable best efforts to secure any necessary consents and approvals. However, Petrohawk and KCS may not be successful in obtaining all necessary consents or approvals. If these consents and approvals are not obtained and Petrohawk elects to waive the related closing condition and consummate the merger, the failure to have obtained such consent or approval could give third parties the right to terminate or alter existing contracts, declare a default under existing contracts, demand payment on outstanding obligations or result in some other liability of the combined company to such third parties, which in each instance could have a material adverse effect on the business and financial condition of the combined company after the merger.

Foreign persons who own or have owned a significant amount of KCS common stock may be subject to U.S. federal income tax on gain realized upon the exchange of their KCS stock in the merger.

If a foreign stockholder owns or has owned more than 5% of KCS's common stock at any time during the last five years, then gain realized by such person upon the exchange of KCS common stock in the merger may be subject to U.S. federal income tax. See Material U.S. Federal Income Tax Consequences; U.S. Federal Income Tax Consequences to Non-U.S. Persons; Non-U.S. Persons That Currently Hold or Have Held More Than 5% of KCS's Common Stock.

FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus, including information included or incorporated by reference in this document, contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, intentions, future performance and business of each of Petrohawk and KCS and other statements that are not historical facts, as well as certain information relating to the merger, including, without limitation:

statements relating to the benefits of the merger, including the cost savings and accretion to reported earnings estimated to result from the merger;

statements relating to revenues, production and expenses of the combined company after the merger; and

statements preceded by, followed by or that include the words believes, anticipates, plans, predicts, expects, envisions, hopes, estimates, intends, will, continue, may, potential, achieve, should, project, could or similar expressions.

These forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from those contemplated in the forward-looking statements due to, among others, the factors discussed under Risk Factors beginning on page 17 of this document, as well as the following factors:

the possibility that the companies may be unable to obtain stockholder approvals required for the merger;

the possibility that problems may arise in successfully integrating the businesses of the two companies;

the possibility that the merger may involve unexpected costs;

the possibility that the combined company may be unable to achieve cost-cutting synergies;

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the possibility that the businesses may suffer as a result of uncertainty surrounding the merger;

the possibility that the industry may be subject to future regulatory or legislative actions (including any additional taxes);

the volatility in commodity prices for oil and gas and in the supply of and demand for oil and natural gas;

the presence or recoverability of estimated oil and gas reserves and the actual future production rates and associated costs;

the ability to replace oil and gas reserves;

environmental risks;

drilling and operating risks;

exploration and development risks;

competition;

the ability of the combined company's management to execute its plans to meet its goals;

the ability of the combined company to retain key members of its senior management and key employees;

general economic conditions, whether internationally, nationally or in the regional and local market areas in which Petrohawk and KCS are doing business, may be less favorable than expected;

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

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

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in reports filed with the SEC by Petrohawk and KCS. See [Where You Can Find More Information](#) beginning on page 141 of this document.

Forward-looking statements speak only as of the date of this joint proxy statement/prospectus or the date of any document incorporated by reference in this document. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this joint proxy statement/prospectus and attributable to Petrohawk or KCS or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, neither Petrohawk nor KCS undertakes any obligation to update forward-looking statements to reflect events or circumstances after the date of this joint proxy statement/prospectus or to reflect the occurrence of unanticipated events.

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PETROHAWK ANNUAL MEETING

General

This joint proxy statement/prospectus is being furnished to Petrohawk stockholders in connection with the solicitation of proxies by the Petrohawk board of directors to be used at the annual meeting of stockholders to be held at Hotel Derek, 2525 West Loop South, Houston, Texas 77027, on July 12, 2006 at 11:00 a.m., local time, and at any adjournment or postponement of that meeting. This joint proxy statement/prospectus and the enclosed form of proxy are being sent to Petrohawk stockholders on or about June 5, 2006.

Record Date and Voting

The Petrohawk board of directors has fixed the close of business on May 30, 2006 as the record date for determining the holders of shares of Petrohawk common stock entitled to receive notice of and to vote at the Petrohawk annual meeting and any adjournments or postponements thereof. Only holders of record of shares of Petrohawk common stock and 8% cumulative convertible preferred stock at the close of business on that date will be entitled to vote at the Petrohawk annual meeting and at any adjournment or postponement of that meeting. At the close of business on the record date, there were 83,604,678 shares of Petrohawk common stock outstanding, held by approximately 342 holders of record, and 593,271 shares of 8% cumulative convertible preferred stock outstanding, held by approximately 139 holders of record.

Each holder of shares of Petrohawk common stock outstanding on the record date will be entitled to one vote for each share held of record, and each holder of shares of Petrohawk 8% cumulative convertible preferred stock outstanding on the record date will be entitled to one vote for every two shares of 8% cumulative convertible preferred stock held of record, upon each matter properly submitted at the Petrohawk annual meeting and at any adjournment or postponement thereof. In order for Petrohawk to satisfy its quorum requirements, the holders of at least a majority of the total number of outstanding shares of Petrohawk common stock and preferred stock entitled to vote at the meeting must be present. You will be deemed to be present if you attend the meeting or if you submit a proxy card (including through the Internet or telephone) that is received at or prior to the meeting (and not revoked).

If your proxy card is properly executed and received by Petrohawk in time to be voted at the Petrohawk annual meeting, the shares represented by your proxy card (including those given through the Internet or by telephone) will be voted in accordance with the instructions that you mark on your proxy card. If you execute your proxy but do not provide Petrohawk with any instructions, your shares will be voted FOR the proposals set forth in the notice of annual meeting. If your shares are held in street name by your broker or other nominee and you do not provide that holder with instructions on how to vote your shares, your broker or other nominee will be permitted to vote your shares only on the election of directors and not on the other proposals to be voted on at the annual meeting.

The only matters that we expect to be presented at the Petrohawk annual meeting are set forth in the notice of annual meeting. If any other matters properly come before the Petrohawk annual meeting, the persons named in the proxy card will vote the shares represented by all properly executed proxies on such matters in their best judgment.

Quorum; Vote Required

If you vote in person or by proxy at the Petrohawk annual meeting, you will be counted for purposes of determining whether there is a quorum at the meeting. Shares of Petrohawk common stock and preferred stock present in person or by proxy at the Petrohawk annual meeting that are entitled to vote but are not voted and broker non-votes will be counted for the purpose of determining whether there is a quorum for the transaction of business at the Petrohawk annual meeting. A broker non-vote occurs when a bank, broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

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The approval of the amendments to the 2004 Employee Incentive Plan and 2004 Non-Employee Director Incentive Plan require the affirmative vote of a majority of the shares voted, so long as the shares voted represent over 50% of the shares entitled to vote. Accordingly, assuming a quorum is present and the total votes cast at the Petrohawk annual meeting represent more than 50% of all Petrohawk common stock and preferred stock entitled to vote at the meeting, the failure of a Petrohawk stockholder to vote or a decision by a Petrohawk stockholder to abstain will have no effect in determining whether these proposals are approved.

Approval and adoption of the merger agreement and approval of the amendment to Petrohawk's certificate of incorporation require the affirmative vote of a majority of the outstanding shares of Petrohawk common stock and preferred stock entitled to vote. Accordingly, the failure of a Petrohawk stockholder to submit a proxy card or to vote in person, or a decision by a Petrohawk stockholder to abstain from voting will have the same effect as a vote AGAINST approval of these proposals.

The election of directors is by a plurality of affirmative votes cast at a meeting at which a quorum is present, and, assuming a quorum is present at the annual meeting, the failure of a Petrohawk stockholder to vote or a decision by a Petrohawk stockholder to abstain will have no effect in determining the election of directors except to the extent the failure to vote for an individual results in another candidate receiving a larger number of votes.

As of the record date:

Petrohawk directors and executive officers and their affiliates owned and were entitled to vote approximately 3,862,337 shares of Petrohawk common stock, representing approximately 4.6% of the outstanding shares of Petrohawk common stock; and

KCS directors and executive officers and their affiliates did not own any shares of Petrohawk common stock or preferred stock. Floyd C. Wilson, Stephen W. Herod, Shane M. Bayless, Larry L. Helm, and Richard K. Stoneburner have entered into separate voting agreements with Petrohawk and KCS pursuant to which these individuals have agreed, among other things, to vote all shares of Petrohawk common stock owned by each of them in favor of the transactions contemplated in the merger agreement and to grant an irrevocable proxy to KCS empowering it to vote all such shares of Petrohawk common stock at any meeting of Petrohawk's stockholders called for the purpose of voting on the merger. As of May 30, 2006, these stockholders owned approximately 4% of the issued and outstanding common stock of Petrohawk.

We currently expect that Petrohawk's other directors and executive officers will vote their shares of Petrohawk common stock FOR all proposals set forth in the notice of annual meeting, although none of them has entered into any agreement obligating them to do so.

Revocability of Proxies

The presence of a stockholder at the Petrohawk annual meeting will not automatically revoke that stockholder's proxy. However, a stockholder may revoke a proxy at any time prior to its exercise by:

submitting a written revocation prior to the annual meeting to David Elkouri, Secretary, Petrohawk Energy Corporation, 1100 Louisiana, Suite 4400, Houston, Texas, 77002;

submitting another proxy prior to the annual meeting by telephone, via the Internet or by mail that is dated later than the original proxy; or

attending the Petrohawk annual meeting and voting in person.

If your shares are held of record by a broker or other nominee, you must follow the instructions on the form you receive from your broker or other nominee with respect to changing or revoking your proxy.

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Voting Electronically or by Telephone

Petrohawk stockholders of record and many stockholders who hold their shares through a broker or other nominee will have the option to submit their proxy cards or voting instruction cards electronically through the Internet or by telephone. Please note that there are separate arrangements for using the Internet and telephone depending on whether your shares are registered in Petrohawk's stock records in your name or in the name of a broker or other nominee. If you hold your shares through a broker or other nominee, you should check your proxy card or voting instruction card forwarded by your broker or other nominee to see which voting options are available.

Petrohawk stockholders of record may submit their proxies:

through the Internet by visiting a website established for that purpose at <http://www.voteproxy.com> and following the instructions; or

by telephone by calling the toll-free number 1-800-PRO-XIES (1-800-776-9437) in the U.S., Puerto Rico, Canada or Mexico on a touch-tone phone and following the recorded instructions.

Solicitation of Proxies

In addition to solicitation by mail, directors, officers and employees of Petrohawk may solicit proxies for the annual meeting from Petrohawk stockholders personally or by telephone and other electronic means without additional remuneration for soliciting such proxies. We will provide persons, firms, banks and corporations holding shares in their names or in the names of nominees, which in either case are beneficially owned by others, proxy material for transmittal to such beneficial owners and will reimburse such record owners for their expenses in taking such actions. We have also made arrangements with Georgeson Shareholder Communications, Inc. to assist us in soliciting proxies and have agreed to pay them \$7,500, plus reasonable expenses, for these services. Petrohawk and KCS will equally share the expenses incurred in connection with the printing and mailing of this document.

KCS SPECIAL MEETING

General

This joint proxy statement/prospectus is being furnished to KCS stockholders in connection with the solicitation of proxies by the KCS board of directors to be used at the special meeting of stockholders to be held on July 12, 2006 at 10:00 a.m., local time, at Hotel Derek, 2525 West Loop South, Houston, Texas 77027, and at any adjournment or postponement of that meeting. This joint proxy statement/prospectus and the enclosed form of proxy are being sent to KCS stockholders on or about June 5, 2006.

Record Date and Voting

The KCS board of directors has fixed the close of business on May 30, 2006 as the record date for determining the holders of shares of KCS common stock entitled to receive notice of and to vote at the special meeting and any adjournment or postponement thereof. Only holders of record of shares of KCS common stock at the close of business on that date will be entitled to vote at the special meeting and at any adjournment or postponement of that meeting. At the close of business on the record date, there were 50,550,119 shares of KCS common stock outstanding, held by approximately 832 holders of record.

Each holder of shares of KCS common stock outstanding on the record date will be entitled to one vote for each share held of record upon each matter properly submitted at the special meeting and at any adjournment or postponement thereof. In order for KCS to satisfy its quorum requirements, the holders of at least a majority of

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the total number of outstanding shares of KCS common stock entitled to vote at the meeting must be present. You will be deemed to be present if you attend the meeting or if you submit a proxy card (including through the Internet or telephone) that is received at or prior to the meeting (and not revoked).

If your proxy card is properly executed and received by KCS in time to be voted at the special meeting, the shares represented by your proxy card (including those given through the Internet or by telephone) will be voted in accordance with the instructions that you mark on your proxy card. If you execute your proxy but do not provide KCS with any instructions, your shares will be voted **FOR** the proposal set forth in the notice of special meeting. If your shares are held in **street name** by your broker or other nominee and you do not provide that holder with instructions on how to vote your shares, your broker or other nominee will not be permitted to vote your shares on the proposal to be voted on at the special meeting, which will have the same effect as a vote **AGAINST** the merger.

The only matter that we expect to be presented at the KCS special meeting is the proposal to approve and adopt the merger agreement. If any other matters properly come before the special meeting, the persons named in the proxy card will vote the shares represented by all properly executed proxies on such matters in their best judgment.

Quorum; Vote Required

Approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of KCS common stock. If you vote in person or by proxy at the special meeting, you will be counted for purposes of determining whether there is a quorum at the special meeting. Shares of KCS common stock present in person or by proxy at the special meeting that are entitled to vote but are not voted and broker non-votes will be counted for the purpose of determining whether there is a quorum for the transaction of business at the special meeting. A broker non-vote occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

The required vote of KCS stockholders on the merger agreement is based upon the number of outstanding shares of KCS common stock, and not the number of shares that are actually voted. Accordingly, the failure to submit a proxy card or to vote in person at the special meeting, or a decision by a KCS stockholder to abstain from voting, will have the same effect as an **AGAINST** vote with respect to this matter.

As of the record date:

KCS directors and executive officers and their affiliates owned and were entitled to vote approximately 2.2 million shares of KCS common stock, representing approximately 4.4% of the outstanding shares of KCS common stock.

Petrohawk directors and executive officers and their affiliates did not own and were not entitled to vote any shares of KCS common stock.

James W. Christmas, William N. Hahne, Harry Lee Stout and Joseph T. Leary have entered into separate voting agreements with Petrohawk and KCS pursuant to which they have agreed, among other things, to vote all shares of KCS common stock owned by each of them in favor of approval and adoption of the merger agreement. The voting agreements also grant an irrevocable proxy to Petrohawk empowering it to vote all such shares of KCS common stock at any meeting of KCS's stockholders called for the purpose of voting on the merger. As May 30, 2006, such stockholders collectively owned approximately 1.5 million shares, or approximately 3%, of the issued and outstanding common stock of KCS.

We currently expect that KCS's other directors and executive officers will vote their shares **FOR** approval and adoption of the merger agreement, although none of them has entered into any agreement obligating them to do so.

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Revocability of Proxies

The presence of a stockholder at the special meeting will not automatically revoke that stockholder's proxy. However, a stockholder may revoke a proxy at any time prior to its exercise by:

submitting a written revocation prior to the special meeting to Frederick Dwyer, Secretary, KCS Energy, Inc., 5555 San Felipe Road, Suite 1200, Houston, Texas 77056;

submitting another proxy prior to the special meeting by telephone, via the Internet or by mail that is dated later than the original proxy; or

attending the special meeting and voting in person.

If your shares are held of record by a broker or other nominee, you must follow the instructions on the form you receive from your broker or other nominee with respect to changing or revoking your proxy.

Voting Electronically or by Telephone

KCS stockholders of record and many stockholders who hold their shares through a broker or other nominee will have the option to submit their proxy cards or voting instruction cards electronically through the Internet or by telephone. Please note that there are separate arrangements for using the Internet and telephone depending on whether your shares are registered in KCS's stock records in your name or in the name of a broker or other nominee. If you hold your shares through a broker or other nominee, you should check your proxy card or voting instruction card forwarded by your broker or other nominee to see which voting options are available.

KCS stockholders of record may submit their proxies:

through the Internet by visiting a website established for that purpose at <https://www.proxyvotenow.com/kcs> and following the instructions; or

by telephone by calling the toll-free number 1-866-776-5623 in the U.S., Puerto Rico, Canada or Mexico on a touch-tone phone and following the recorded instructions.

Solicitation of Proxies

In addition to solicitation by mail, directors, officers and employees of KCS may solicit proxies for the special meeting from KCS stockholders personally or by telephone and other electronic means without additional remuneration for soliciting such proxies. We also will provide persons, firms, banks and corporations holding shares in their names or in the names of nominees, which in either case are beneficially owned by others, proxy material for transmittal to such beneficial owners and will reimburse such record owners for their expenses in taking such actions. We have also made arrangements with Georgeson Shareholder Communications, Inc. to assist us in soliciting proxies and have agreed to pay them \$7,500, plus reasonable expenses, for these services. KCS and Petrohawk will equally share the expenses incurred in connection with the printing and mailing of this document.

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INFORMATION ABOUT PETROHAWK

Petrohawk Energy Corporation, a Delaware corporation, is an independent oil and gas company engaged in the acquisition, development, production and exploration of natural gas and oil properties located in North America. Petrohawk was formed in June 1997 as Beta Oil & Gas, Inc., a Nevada corporation. Petrohawk reincorporated in the state of Delaware during 2004 at which time it changed its name to Petrohawk Energy Corporation. Petrohawk's properties are concentrated in the East Texas/North Louisiana, Gulf Coast, South Texas, Permian Basin, Anadarko and Arkoma regions.

At December 31, 2005, Petrohawk's estimated total proved oil and gas reserves were approximately 437.3 billion cubic feet of natural gas equivalent (Bcfe), consisting of 29.2 million barrels of oil (Mmbbl) and 261.9 billion cubic feet of natural gas (Bcf) of natural gas. Approximately 71% of Petrohawk's proved reserves were classified as proved developed. Year-end prices used to determine proved reserves were \$57.75 per barrel of oil and \$10.075 per million British thermal units of gas (Mmbtu), adjusted for quality and basis differentials.

Petrohawk has increased its proved reserves and production principally through acquisitions. Since November 2004, Petrohawk has acquired approximately 535 Bcfe of estimated proved reserves for approximately \$1.2 billion, including the recently completed North Louisiana Acquisitions discussed below. Petrohawk focuses on properties within its core operating areas that have a significant proved reserve component and which management believes have additional development and exploration opportunities.

Recent Developments

Petrohawk has recently completed several transactions:

Gulf of Mexico Divestiture

On February 3, 2006, Petrohawk entered into a definitive agreement with Northstar GOM, LLC to sell substantially all of Petrohawk's Gulf of Mexico properties for \$52.5 million in cash. The transaction closed in March 2006. These properties had estimated proved reserves as of December 31, 2005 of approximately 25 Bcfe, were approximately 70% gas, 59% proved developed and 27% operated. Production at closing was estimated to be approximately 10 million cubic feet of gas equivalent per day (Mmcfe/d).

North Louisiana Acquisitions

On January 27, 2006, Petrohawk completed the acquisition of all of the issued and outstanding common stock of Winwell Resources, Inc. (Winwell). Petrohawk paid aggregate consideration of approximately \$208 million in cash after certain closing adjustments. Also on January 27, 2006, in a related transaction, Petrohawk completed an acquisition of assets from Redley Company (Redley), paying aggregate consideration of approximately \$86 million in cash after certain closing adjustments. Through the Winwell and Redley transactions (North Louisiana Acquisitions), Petrohawk acquired oil and gas properties in the Elm Grove and Caspiana fields in North Louisiana with approximately 106 Bcfe of internally estimated proved reserves (98% gas, 29% proved developed) at December 31, 2005 and production of 16 Mmcfe/d for December 2005.

Mission Resources Corporation Acquisition

Petrohawk acquired Mission Resources Corporation (Mission) by merger on July 28, 2005. In the merger, Petrohawk issued approximately 19.565 million shares of common stock and paid approximately \$139.5 million in cash to the former stockholders of Mission. In addition, all outstanding options to purchase Mission common stock were converted into options to purchase Petrohawk common stock using an exchange ratio of 0.7641 shares of Petrohawk common stock per share of Mission common stock underlying each option. Petrohawk also assumed Mission's long-term debt of approximately \$184 million. At December 31, 2004, Mission's estimated net proved reserves were approximately 226 Bcfe.

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The following table sets forth, by operating area, a summary of Petrohawk's estimated net proved reserve information as of December 31, 2005, the estimated average net daily production for March 2006 and budgeted capital expenditures for 2006.

Petrohawk Property Summary by Region

Region	Estimated Net Proved Reserves at December 31, 2005(1)(2)(3)			March 2006	Budgeted 2006 Capital
	Total (Bcfe)	Total % of	Gas %	Estimated Average Net Daily Production (Mmcfe/d)	Expenditures (Millions)
East Texas/North Louisiana	122.2	24	96	19.3	\$ 51.4
South Texas	70.1	14	92	34.2	67.2
Gulf Coast	66.0	13	60	30.1	42.7
Permian	176.6	34	35	24.9	18.2
Anadarko	56.2	11	80	16.4	25.5
Arkoma	17.6	3	89	5.6	5.0
Other Basins	8.0	1	48	3.4	0.0
Totals	516.7	100%	67%	133.9	\$ 210.0

- (1) Reserves as of December 31, 2005 pro-forma for the North Louisiana Acquisitions and Gulf of Mexico divestment.
- (2) Reserve estimates prepared by Netherland, Sewell & Associates, Inc. except for the North Louisiana Acquisitions which are internally estimated.
- (3) Based on spot market prices of \$57.75 per Bbl Nymex WTI and \$10.075 per Mmbtu Henry Hub natural gas as of December 31, 2005, adjusted for basis and quality differentials.

Table of Contents**INFORMATION ABOUT KCS**

KCS Energy, Inc., a Delaware corporation, is an independent oil and gas company engaged in the acquisition, exploration, development and production of natural gas and crude oil. KCS's properties are primarily located in the Mid-Continent and onshore Gulf Coast regions of the United States. KCS also has interests in producing properties in Michigan, California, Wyoming and offshore Gulf of Mexico. As of December 31, 2005, KCS's oil and natural gas properties were estimated to have net proved reserves of approximately 452 Bcfe. Approximately 88% of KCS's net proved reserve base was natural gas and approximately 74% was classified as proved developed. KCS operates approximately 86% of its proved oil and natural gas reserve base.

Recent Developments***Production Payment Obligation Completed***

In January 2006, KCS made the final deliveries of natural gas and oil production under a production payment transaction whereby it sold 43.1 Bcfe in 2001 to be delivered over a five-year period. In 2005, 3.9 Bcfe, or approximately 8% of the production from KCS's producing fields was dedicated to the production payment. Final deliveries of 0.3 Bcfe, or 8.6 Mmcfe per day, were made in January 2006.

Terryville Acquisition

In April 2006, KCS completed an acquisition of oil and gas properties located in its core area of operations in north Louisiana for \$26.2 million. The acquisition included approximately 10,300 gross acres located in Lincoln Parish, Louisiana and proved reserves internally estimated at approximately 11.2 Bcfe, of which approximately 50% are proved developed. This acquisition is consistent with KCS's strategy of acquiring properties with multiple drilling locations that are in or adjacent to areas it is developing. KCS has been active in drilling and acquiring acreage in the Elm Grove and Terryville fields in north Louisiana. This acreage compliments and expands KCS's leasehold position in a core area where last year it drilled seven wells and have 31 wells and a 3-D seismic survey planned for 2006.

Properties

The following table sets forth, by operating area, a summary of KCS's estimated net proved reserve information as of December 31, 2005, the estimated average net daily production for March 2006 and budgeted capital expenditures for 2006.

KCS Property Summary by Region

Region	Estimated Net Proved Reserves			March	
	Total (Bcfe)	Total at December 31, 2005(1)(2)	Gas %	Estimated Average Net Daily Production (Mmcfe/d)	Budgeted 2006 Capital Expenditures (Millions)
East Texas/North Louisiana	244.5	54	98	74.3	\$ 158.0
Onshore Gulf Coast	90.3	20	77	32.9	72.0
Permian	63.0	14	96	13.5	40.0
Oklahoma	13.9	3	99	13.6	28.0
Other Basins	40.5	9	57	15.0	17.0
Totals	452.2	100%	88%	149.3	\$ 315.0

-
- (1) Reserve estimates prepared internally and audited by Netherland, Sewell & Associates, Inc.
 - (2) Based on spot market prices of \$57.75 per Bbl Nymex WTI and \$10.075 per Mmbtu Henry Hub natural gas as of December 31, 2005, adjusted for basis and quality differentials.

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THE MERGER

The following description of material information about the merger, including the summary of material terms and provisions of the merger agreement and descriptions of the opinions of the parties' financial advisors, is qualified in its entirety by reference to the more detailed annexes to this joint proxy statement/prospectus. We urge you to read all of the annexes to this joint proxy statement/prospectus in their entirety.

The merger agreement has been included as *Annex A* to provide you with information regarding its terms. It is not intended to provide any other factual information about either Petrohawk or KCS. Such information can be found elsewhere in this joint proxy statement/prospectus and in the other public filings each of us makes with the SEC, which are available without charge at www.sec.gov.

The merger agreement contains representations and warranties we made to each other. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure letters that we have exchanged in connection with signing the merger agreement. While we do not believe that they contain information securities laws require us to publicly disclose, other than information that has already been so disclosed, the disclosure letters do contain information that modifies, quantifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they are modified in important part by the underlying disclosure letters. These disclosure letters contain information that has been included in Petrohawk's and KCS's prior public disclosures, as well as potential additional nonpublic information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, which subsequent information may or may not be fully reflected in our public disclosures.

Transaction Structure

The Petrohawk board of directors and the KCS board of directors each has approved the merger agreement, which provides for the merger of KCS with and into Petrohawk. We expect to complete the merger in July 2006. Each share of Petrohawk common stock issued and outstanding at the effective time of the merger will remain issued and outstanding as one share of common stock of Petrohawk. Each share of KCS common stock issued and outstanding at the effective time of the merger will be converted into the right to receive 1.65 shares of Petrohawk common stock and \$9.00 in cash, other than issued and outstanding shares of KCS restricted common stock issued to employees under KCS stock plans. Each restricted share of KCS common stock issued and outstanding at the effective time of the merger will be converted into the right to receive a number of restricted shares of Petrohawk common stock determined by adding the exchange ratio (1.65) to the result obtained by dividing the cash consideration (\$9.00) by the average closing price of Petrohawk common stock for the five trading days preceding the date on which the merger occurs. See Merger Consideration.

Upon KCS's merger into Petrohawk, Petrohawk's certificate of incorporation and bylaws will be the governing charter documents of the surviving corporation.

Source of Funds for Cash Portion of Merger Consideration

Petrohawk intends to pay the cash portion of the merger consideration to the KCS stockholders and to repay indebtedness under KCS's existing credit facility from funds available to Petrohawk immediately prior to closing. Petrohawk currently intends these funds to be comprised of funds available from its revolving credit facility, second lien facility and other sources of debt financing.

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Background of the Merger

Petrohawk's business strategy includes the acquisition of oil and gas reserves and exploration and development projects through merger and acquisition. Its management and board of directors have discussed and pursued potential business combination transactions since Petrohawk's formation. The management and board of directors of KCS have also from time to time discussed the benefits of oil and gas property acquisitions and business combination transactions, and in 2004 KCS engaged Morgan Stanley & Co. Incorporated to consult with the board with respect to industry conditions and to evaluate and advise KCS with respect to strategic alternatives that KCS could pursue, including potential business combinations. Following such engagement, KCS's management from time to time had preliminary discussions with third parties and, in some cases, provided or exchanged information about its or their respective businesses under confidentiality agreements.

During Petrohawk's annual meeting with its bankers on September 13, 2005, a representative of Harris Nesbitt, which was subsequently engaged to serve as financial advisor to Petrohawk, and Mr. Stephen W. Herod, Executive Vice President Corporate Development of Petrohawk, suggested in general terms a potential business combination opportunity for Petrohawk. In follow up discussions on November 8, 2005, Harris Nesbitt advised Mr. Floyd C. Wilson, Chairman, President and Chief Executive Officer of Petrohawk, that KCS was the potential counterparty to the business combination. Mr. Wilson indicated interest in exploring such a combination further.

On December 16, 2005, Mr. Wilson, Mr. Herod and representatives of Harris Nesbitt met to review and discuss a presentation prepared by Harris Nesbitt based upon publicly available information regarding the potential operational synergies and various financial aspects of a potential combination of Petrohawk and KCS.

On January 15, 2006, a representative of Harris Nesbitt contacted Mr. James W. Christmas, Chairman and Chief Executive Officer of KCS, to arrange a meeting for January 18, 2006. In advance of the meeting, Harris Nesbitt sent a copy of its presentation regarding a potential combination of Petrohawk and KCS to Mr. Joseph T. Leary, Senior Vice President and Chief Financial Officer of KCS.

On January 18, 2006, representatives of Harris Nesbitt held an informal meeting with Mr. Christmas and Mr. Leary regarding a potential combination of Petrohawk and KCS. Mr. Christmas and Mr. Leary indicated that KCS was open to discussions about a possible business combination, but that any such combination must include a premium reflecting the value of KCS's core holdings and growth potential. They also indicated a willingness to consider a cash and equity transaction, subject to additional information regarding Petrohawk's properties, drilling program and prospects.

On January 25, 2006, Mr. Wilson and Mr. Christmas met in New York City to discuss in general terms a possible business combination. Messrs. Wilson and Christmas agreed to continue gathering background information necessary to assess the merits of a possible combination.

On January 26, 2006, at its regularly scheduled board meeting, Mr. Christmas informed the KCS board of directors of Petrohawk's general expression of interest.

On February 3, 2006, Mr. Wilson and Mr. Christmas had a meeting in Houston at which they engaged in preliminary discussions regarding the consideration to be paid to KCS stockholders. These discussions involved possible merger consideration consisting of 60% Petrohawk common stock and 40% cash and a 15% premium to the 10-day average stock price of KCS, which was then \$28.13. Petrohawk's 10-day average stock price at the time was \$15.59.

On February 6, 2006, Petrohawk held its regularly scheduled board and management update call. The Petrohawk board of directors was advised of the potential for a business combination with KCS and the substance of the February 3rd meeting between Messrs. Wilson and Christmas.

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On February 9, 2006, Messrs. Wilson and Christmas spoke by telephone and concluded that there was sufficient interest in a potential combination to justify the exchange of confidential business information. A confidentiality agreement was prepared and executed on February 13, 2006.

On February 15, 2006, representatives of KCS and Petrohawk met in Houston, Texas, for a technical overview meeting. Mr. Wilson, Mr. Herod, Mr. Shane M. Bayless, Executive Vice President Chief Financial Officer and Treasurer of Petrohawk, Mr. Richard Stoneburner, Executive Vice President Exploration of Petrohawk, and Ms. Joan Dunlap, Assistant Treasurer of Petrohawk, and certain technical staff from Petrohawk attended. Also in attendance were Mr. William N. Hahne, President and Chief Operating Officer of KCS, Mr. Leary and certain technical staff from KCS. Each company presented information regarding its reserves and properties, and preliminary discussions regarding technical details of each company ensued. The representatives of each company concluded that a combination of the properties of the companies should create operational synergies.

From February 15, 2006 through April 20, 2006, the parties conducted due diligence, including review by their respective management, technical staff, engineers and selected advisors of detailed information relating to the other party's business, assets and operations.

On February 16, 2006, Petrohawk executed a letter agreement and engaged Harris Nesbitt as its financial advisor with respect to the potential combination with KCS Energy.

On February 21, 2006, Mr. Wilson and Mr. Christmas again discussed by telephone the general terms of a potential business combination.

On February 23, 2006, at KCS's regularly scheduled board meeting, Mr. Christmas, other members of management of KCS and representatives of Morgan Stanley outlined for the KCS board of directors the status of discussions with Petrohawk and presented an overview of Petrohawk and the potential advantages of a combination with Petrohawk. Also on February 23, 2006, Mr. Wilson met with Mr. Christmas in Houston to further discuss the potential business combination. In particular, they discussed the adequacy of the amount of cash and Petrohawk common stock to be received by KCS stockholders in connection with such a combination.

On February 25, 2006, Mr. Wilson sent to Mr. Christmas a non-binding letter of indicative interest in a business combination between Petrohawk and KCS. The letter contemplated an exchange ratio utilizing a 20-day average of each company's share prices (at that time, \$25.81 for KCS and \$14.83 for Petrohawk) and indicated that KCS stockholders would receive 1.4 shares of Petrohawk common stock and \$8.90 in cash for each share of KCS common stock owned by them. The letter also contemplated that the combined company would have a nine person board, of which two members would be designated by KCS, subject to approval by Petrohawk.

On March 1, 2006, Mr. Wilson and Mr. Christmas discussed by telephone the proposals set forth in the February 25th letter of interest. Each determined to continue evaluating a possible business combination.

On March 8, 2006, Petrohawk and KCS exchanged their respective 2005 year-end reserve reports.

On March 9, 2006, Petrohawk held a board meeting during which management reported the status of discussions regarding a potential business combination with KCS.

On March 17, 2006, Mr. Herod delivered to Mr. Leary an initial draft of a merger agreement prepared by Hinkle Elkouri Law Firm L.L.C., legal advisors to Petrohawk.

On March 20 and March 21, 2006, meetings were held in Houston, Texas between technical representatives of Petrohawk and KCS. Discussions at these meetings focused on each company's properties and proved and unproved reserves.

On March 22, 2006, technical representatives from Petrohawk and KCS met at the office of Netherland, Sewell & Associates, Inc., independent reservoir engineers to both KCS and Petrohawk, in Dallas, Texas. Each company's properties and reserves were discussed with representatives of Netherland Sewell.

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On March 27, 2006, Petrohawk held its regularly scheduled monthly telephonic update for members of management and board members. Prior to the call, board members received information on KCS and the potential business combination. During the call, Petrohawk's management team discussed the proposed terms and reasons for the potential combination.

On March 28, 2006, Petrohawk delivered a revised non-binding letter of indicative interest to KCS. The letter of interest contemplated merger consideration consisting of a fixed exchange ratio of 1.50 shares of Petrohawk common stock and \$9.00 cash per share of KCS common stock.

On the evening of March 29, 2006, Mr. Christmas and Mr. Hahne met with a representative of a third party at which such representative expressed his company's interest in a possible transaction with KCS. Mr. Hahne and Mr. Leary met the following morning with representatives of the third party to provide an overview of KCS and to determine a timeframe for a more specific proposal.

On March 30, 2006, Mr. Leary transmitted Petrohawk's draft merger agreement to Andrews Kurth LLP, outside counsel to KCS, with a request that the firm review and comment on the draft.

On March 31, 2006, Mr. Wilson and Mr. Christmas met at Petrohawk's office to discuss the March 28th non-binding letter of indicative interest. At that meeting, Mr. Christmas indicated that he would discuss the matter with the KCS board over the weekend and respond to Mr. Wilson on April 4, 2006, but that he was not prepared to recommend a transaction on the basis of the proposed merger consideration and board representation.

On April 3, 2006, Messrs. Herod and Bayless spoke by telephone with Messrs. Leary and Hahne during which due diligence was discussed and Mr. Herod and Mr. Bayless responded to various due diligence questions regarding Petrohawk. Also, on April 3, 2006, Petrohawk engaged Petrie Parkman to render an opinion to Petrohawk as to the fairness to Petrohawk, from a financial point of view, of the consideration to be paid by Petrohawk in the proposed business combination with KCS in the event the parties agreed to such a combination. On the same day, several KCS senior officers and representatives of Andrews Kurth held a conference call to discuss the proposed transaction and the issues presented by the draft Petrohawk merger agreement.

On April 4, 2006, Petrohawk requested additional due diligence materials from KCS, and Mr. Wilson and Mr. Christmas met in Petrohawk's offices to discuss the terms of the letter of interest. Among other items, the parties discussed merger consideration consisting of \$9.00 cash and 1.65 shares of Petrohawk common stock for each share of KCS common stock outstanding. The parties tentatively agreed to conclude all due diligence by April 10, 2006. Later that day, Petrohawk delivered a revised non-binding letter of indicative interest to KCS in which Petrohawk proposed consideration consisting of 1.65 shares of Petrohawk common stock and \$9.00 cash for each KCS share of common stock outstanding. The letter also contemplated that KCS would have the right to designate four of the nine members of the combined company's board, subject to Petrohawk's approval.

On April 5, 2006, Andrews Kurth delivered a revised version of the draft merger agreement to Petrohawk and Hinkle Elkouri, and Mr. Leary delivered an additional due diligence request list to Petrohawk. Also, on April 5, 2006, a formal due diligence organization meeting was held between senior management and technical personnel from Petrohawk and KCS, and representatives of Andrews Kurth commenced a review of information that Petrohawk made available in its offices. That same day, representatives of Petrie Parkman met with representatives of KCS to conduct due diligence and discuss properties, reserves and other information regarding KCS.

On April 6, 2006, management and other employees of Petrohawk met with representatives of Morgan Stanley, during which Petrohawk provided a detailed presentation regarding its financial condition and prospects and its proved and unproved oil and gas reserves.

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On April 6, 2006, representatives of KCS and Petrohawk and their respective financial and legal advisors met in Houston, Texas to discuss and begin negotiation of issues with respect to the merger agreement and related matters and to discuss Petrohawk and KCS reserves and the status of the parties' due diligence investigations.

On April 7, 2006, several Petrohawk representatives, including Messrs. Wilson, Herod and Bayless, met with Mr. Hahne and representatives of each party's legal advisors to continue discussion of selected issues under the merger agreement, including severance policies and employee related issues. Later that day, Petrohawk held a board meeting at which Petrohawk's management provided board members with information regarding the proposed business combination, including a presentation regarding the status of due diligence and economics of the proposed merger. Also on this date, Hinkle Elkouri delivered a revised draft of the merger agreement to Andrews Kurth. Negotiation and the exchange of drafts of the merger agreement and the agreements and disclosure letters contemplated in the merger agreement continued until April 20, 2006.

On April 7, 2006, KCS received a proposal from the third party for an all cash transaction, subject to due diligence, among other matters.

On April 8, 2006, Mr. Wilson and Mr. Christmas exchanged email correspondence and held a telephone conference in which Mr. Wilson expressed his desire to conclude an agreement and established a deadline for KCS to respond to the April 4th letter of interest.

On April 9, 2006, the KCS board met, and KCS management reported on the status of the proposed combination with Petrohawk and the proposed all cash transaction with a third party. A representative of Andrews Kurth advised the board regarding its fiduciary duties in considering these matters and participated with Mr. Christmas in a review of the terms of the draft merger agreement with Petrohawk. Representatives of Morgan Stanley reviewed for the board their financial analysis to date of the Petrohawk transaction and the all cash transaction with the third party. In addition, Mr. Hahne described the status of due diligence by Petrohawk and the third party and by KCS. Mr. Leary outlined the status and proposed sources of financing required for Petrohawk and the third party to complete their respective transactions.

On April 10, 2006, representatives of the third party and KCS and their respective legal counsel, financial advisors, reservoir engineers and accountants met in Andrews Kurth's offices to conduct due diligence discussions and document reviews. Such discussions and reviews (including reviews by lender's counsel for the third party) continued for the next several days. Also on April 10, 2006, Andrews Kurth delivered a draft merger agreement to counsel for the third party. Throughout the week of April 10, 2006, representatives of Petrohawk and KCS and their respective legal and financial advisors continued to review and comment on the parties' disclosure letters, as well as drafts of the merger agreement and its exhibits. At the end of the week, Andrews Kurth delivered drafts of these documents to the members of the board of directors of KCS.

On April 12, 2006, a KCS representative met with a Harris Nesbitt representative in New York City to discuss outstanding issues, possible next steps and potential timing of a transaction with Petrohawk.

Mr. Wilson and Mr. Christmas met in New York City on April 13, 2006 to discuss outstanding issues under the merger agreement, and also discussed these issues by conference call with representatives of Hinkle Elkouri and Andrews Kurth.

On April 13, 2006, Petrohawk held a telephonic board meeting to discuss the status and terms of the potential transaction with KCS. Mr. Wilson informed the board that KCS was considering at least one other offer and that the KCS board had not made a decision to proceed with Petrohawk on an exclusive basis.

On April 14, 2006, Mr. Christmas and a representative of the third party held a telephone conference in which the representative advised Mr. Christmas that such party was interested in pursuing a combination with KCS on a basis other than an all cash transaction. After discussing this change and other aspects of the proposed transaction (including the complexity of the proposed transaction, timing and governance issues and other completion risks) with its financial and legal advisors, and with members of the KCS board of directors, KCS determined that it would not pursue further discussions with the third party.

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On April 17, 2006, Petrohawk management delivered the latest draft of the merger agreement, a summary of the merger agreement prepared by Hinkle Elkouri and a presentation containing updated information on the potential transaction to its board of directors. On that day and continuing over the next several days, representatives of the parties also continued to negotiate and revise the merger agreement, exhibits and disclosure letters. Also on that day, KCS scheduled a board meeting for April 20, 2006 to consider and possibly vote on the potential business combination.

On April 18, 2006, a meeting was held at Petrohawk's office with representatives of Harris Nesbitt and Morgan Stanley to discuss and review liquidity and de-levering financial models. Also on April 18, 2006, Petrohawk tentatively scheduled a board meeting for April 20, 2006 to consider and possibly vote on the potential business combination.

On April 19, 2006, Petrie Parkman conducted follow-up due diligence with Petrohawk management representatives and KCS management representatives. The following day, representatives of Morgan Stanley conducted follow-up due diligence with Petrohawk management representatives and KCS management representatives.

On April 20, 2006, the parties finalized the terms of the merger agreement and the Petrohawk and KCS disclosure letters. Later that day, Petrohawk's board of directors met to consider the terms of the proposed business combination between Petrohawk and KCS. Mr. Wilson, Mr. Stone, Mr. Irish, Mr. Fuller and certain Petrohawk officers and legal counsel attended the meeting in person at Petrohawk's offices and Mr. Miller, Mr. Brown, Mr. Williamson and Mr. Bridwell attended by telephone. Prior to the meeting, Petrohawk's board of directors was provided with a substantially final draft of the merger agreement and other materials related to the transaction. At the meeting:

Hinkle Elkouri reviewed the board's fiduciary duties in the context of its deliberations on the proposed transaction.

Hinkle Elkouri and management of Petrohawk provided a detailed presentation regarding the provisions of the proposed merger agreement and the results of due diligence.

Harris Nesbitt discussed the negotiation process and issues associated with the proposed business combination.

Petrie Parkman presented its analysis and rendered an oral opinion, subsequently confirmed by delivery of its written opinion dated April 20, 2006, that based upon and subject to the assumptions made, matters considered, qualifications, and limitations set forth in the written opinion, as of that date, the financial consideration to be paid by Petrohawk in the merger was fair, from a financial point of view, to Petrohawk.

The Petrohawk board of directors discussed and considered the factors weighing in favor of and the risks associated with the combination as set forth under "Recommendation of Petrohawk's Board of Directors and Reasons for the Merger". After discussion, the Petrohawk board of directors unanimously approved the merger, the merger agreement, and the other transactions contemplated in the merger agreement and unanimously resolved to recommend that Petrohawk's stockholders vote to approve the issuance of Petrohawk common stock in connection with the merger and the other transactions contemplated in the merger agreement.

Also on April 20, 2006, the KCS board of directors held a special meeting to consider the final terms of the proposed merger transaction between Petrohawk and KCS. Prior to the meeting, KCS's board of directors was provided with a substantially final draft of the merger agreement and other materials related to the proposed transaction. Mr. Christmas and Mr. Hahne attended the meeting in person at KCS's offices and the other members of the board of directors attended by telephone. Also in personal attendance were Mr. Leary, certain other KCS officers and representatives of Morgan Stanley and Andrews Kurth. At the meeting:

KCS's management gave a presentation regarding the terms of the proposed transaction and the results of due diligence.

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A representative of Andrews Kurth updated the board of directors regarding changes to the merger agreement since the draft discussed at the meeting on April 9, 2006 and reviewed the provisions of the agreements constituting exhibits to the merger agreement.

Morgan Stanley discussed the negotiation process and the potential market reaction to an announcement of the transaction.

Morgan Stanley presented its analysis and rendered an oral opinion, subsequently confirmed by delivery of its written opinion dated April 20, 2006, that as of such date, and based upon and subject to the factors set forth in its opinion, the consideration to be received by the holders of KCS common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The KCS board of directors discussed and considered the factors weighing in favor of and the risks associated with the combination as set forth under Recommendation of KCS's Board of Directors and Reasons for the Merger. After discussion, KCS's board of directors unanimously approved the merger, the merger agreement and the other transactions contemplated therein, and unanimously resolved to recommend that KCS's stockholders approve and adopt the merger agreement.

Following these board meetings, Mr. Wilson and Mr. Christmas each advised the other that the merger had been approved by the respective boards of Petrohawk and KCS and the definitive merger agreement was executed on behalf of Petrohawk and KCS on April 20, 2006. Concurrently with the execution of the merger agreement, each of Mr. Wilson, Mr. Herod, Mr. Bayless, Mr. Helm and Mr. Stoneburner executed a voting agreement with KCS and Petrohawk in which he agreed to vote in favor of the merger, and each of Mr. Christmas, Mr. Leary, Mr. Hahne and Mr. Stout executed a voting agreement with KCS and Petrohawk in which he agreed to vote in favor of the merger, and each of Mr. Christmas, Mr. Leary, Mr. Hahne, Mr. Stout and Mr. Dwyer executed non-solicitation agreements with Petrohawk in which each agreed to certain restrictions regarding employees of KCS.

The parties issued a joint press release announcing the execution of the merger agreement on the morning of April 21, 2006. Subsequently, on May 16, 2006 and effective as of April 20, 2006, the parties amended the merger agreement to provide for a direct merger of KCS with and into Petrohawk and eliminate the two-step merger contemplated in the originally executed merger agreement.

Recommendation of Petrohawk's Board of Directors and Reasons for the Merger

Petrohawk's board of directors has determined that the merger is fair to, and in the best interests of, Petrohawk and its stockholders. In deciding to approve the merger agreement and to recommend that Petrohawk's stockholders vote to approve and adopt the merger agreement, Petrohawk's board of directors consulted with Petrohawk's management and legal and financial advisors and considered a number of material factors, including:

Quality Asset Base. The combined company will have a concentrated, high quality property portfolio and the two companies have virtual overlay of key operating areas. On a pro-forma basis, the combined company will have approximately 1 Tcfe of estimated proved reserves of which 77% will be natural gas, 68% will be proved developed and 74% will be operated;

Basin Excellence. The combined company's ownership in North Louisiana's Elm Grove and Caspiana fields will create a substantial operating platform in an evolving natural gas basin. In addition, the combined company will be a significant operator in the onshore Gulf Coast region, allowing it to compete more effectively for acreage, seismic data and other services;

Platform For Growth. Petrohawk believes the merger will create a leading onshore independent exploration and production company with greater financial, operational and technical strengths that should enable it to consider and more effectively pursue additional opportunities in its core operating areas;

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Operating Efficiencies. A substantial number of the combined company's properties are in the same geographic areas which will permit an integration of those properties and a possible reduction in the combined operating and administrative cost relative to those properties. The merger will lower Petrohawk's per unit operating and administrative costs, increasing its operating margins. In addition, the combined company is currently operating 19 rigs (8 Petrohawk and 11 KCS), which provides much more control over timing and the selection of drilling opportunities;

Balance Drilling Opportunities. The merger will provide Petrohawk with a larger portfolio of exploitation and exploratory opportunities, thereby giving management more flexibility in its capital allocation decisions;

Provide Meaningful Accretion to Cash Flow. The merger will significantly increase Petrohawk's cash flow and increase Petrohawk's cash flow per share and should permit an acceleration of Petrohawk's capital program;

Improve Financial Flexibility. The merger will create a larger company that is expected to have more liquidity in its common stock and better access to capital markets, which should provide more financial flexibility;

Staffing Additions. The merger will give Petrohawk the opportunity to add to its technical and operational expertise by adding employees from KCS and otherwise hiring qualified individuals;

Divestment Opportunities. The combined company will have properties that should be attractive candidates for divestment, and given expected market conditions there should be significant opportunities to use the proceeds from the sale of such properties to reduce overall debt of the combined company; and

Fair Merger Consideration. Petrie Parkman presented its analysis and rendered its oral opinion, subsequently confirmed in writing, that as of April 20, 2006 and based upon and subject to the assumptions made, matters considered, qualifications, and limitations set forth in its written opinion, the financial consideration to be paid by Petrohawk in the merger was fair, from a financial point of view, to Petrohawk.

Petrohawk's board of directors considered a number of additional factors in reaching its decision including:

information concerning the financial condition, results of operations, prospects and businesses of Petrohawk and KCS, including the respective companies' reserves, production volumes, cash flows from operations, recent performance of common stock and the ratio of Petrohawk's common stock price to KCS's common stock price over various periods, as well as current industry, economic and market conditions;

the net asset value per share of the common stock of both Petrohawk and KCS; and

the results of business, legal and financial due diligence investigations of KCS conducted by Petrohawk's management and legal advisors.

Petrohawk's board of directors also considered a variety of risks and other potentially negative factors concerning the merger and the transactions contemplated by the merger agreement, including the merger. These factors included:

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the increased amount of debt that the combined company would have compared to Petrohawk on a stand-alone basis and the effect of that debt on Petrohawk's future operations;

the fact that a decrease in oil and gas prices would make the merger less desirable from a financial point of view;

a decrease in oil and gas prices would reduce the expected proceeds from expected divestitures and leave the company with a higher than projected debt balance;

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the fact that there are significant risks inherent in combining and integrating two companies, including that the companies may not be successfully integrated, and that successful integration of the companies will require the dedication of significant management resources, which will temporarily detract attention from the day-to-day businesses of the combined company;

the fact that Petrohawk has experienced rapid growth and integrating KCS with Petrohawk may be made more difficult because of acquisitions made by Petrohawk in 2004, 2005 and the first quarter of 2006;

the fact that the capital requirements necessary to achieve the expected growth of the combined company's businesses will be significant, and there can be no assurance that the combined company will be able to fund all of its capital requirements from operating cash flows, and the fact that the combined company would have substantially more total long-term debt than Petrohawk on a stand-alone basis; and

other matters described under the caption "Risk Factors."

This discussion of the information and factors considered by Petrohawk's board of directors in reaching its conclusions and recommendations includes all of the material factors considered by the board but is not intended to be exhaustive. In view of the wide variety of factors considered by Petrohawk's board of directors in evaluating the merger agreement and the transactions contemplated by it, including the merger, and the complexity of these matters, Petrohawk's board of directors did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weight to those factors. In addition, different members of Petrohawk's board of directors may have given different weight to different factors.

It should be noted that this explanation of the reasoning of Petrohawk's board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Forward-Looking Statements" beginning on page 21 of this document.

Petrohawk's board of directors determined that the merger, the merger agreement and the other transactions contemplated in the merger agreement are in the best interests of Petrohawk and its stockholders. Accordingly, Petrohawk's board of directors unanimously approved and adopted the merger agreement and recommends that Petrohawk stockholders vote "FOR" approval and adoption of the merger agreement.

Recommendation of KCS's Board of Directors and Reasons for the Merger

KCS's board of directors has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interest of KCS and its stockholders. Accordingly, the board recommends that KCS stockholders vote "FOR" the approval of the merger agreement.

KCS's board of directors consulted with KCS's management, as well as its financial and legal advisors, and considered various factors, including the following, in unanimously approving the merger agreement and the merger (the order does not reflect the relative significance):

Complementary Organic and Acquisition Growth Strategies. KCS has had and continues to have very strong organic growth complemented by several recent core area acquisitions, while Petrohawk has grown steadily through acquisitions. KCS believes that combining these two growth strategies will result in a more sustainable growth vehicle for the future, as well as a larger market capitalization and a more liquid trading market for the combined company's stock, and should result in increased analyst coverage and potentially better trading multiples.

Core Area Asset Growth of Complementary Property Base. KCS believes that the combination of its core areas (North Louisiana, the Texas Gulf Coast and the Permian Basin) with Petrohawk's core areas (North Louisiana, Gulf Coast/South Texas and Permian Basin) will allow for accelerated developmental and exploration growth opportunities and is expected to provide KCS stockholders with greater long term value than KCS could achieve independent of the merger. This is especially evident in the Elm

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Grove/Caspiana fields, which comprise approximately 40% of KCS's reserves and production, where Petrohawk recently acquired significant reserves, acreage and future drilling potential.

Merger Consideration. The market value of the merger consideration as of April 19, 2006 (the last trading day prior to the execution of the merger agreement) represented an approximate 12% premium over the closing price of KCS's common stock on that date and approximately a 30% premium over KCS's stock price over the preceding 90 and 180 day averages. The holders of KCS common stock and KCS restricted stock will each receive merger consideration that includes or consists of Petrohawk common stock, providing an opportunity for KCS stockholders to participate significantly in any post-merger appreciation in the market value of Petrohawk common stock.

Board Representation. KCS will be appointing four out of nine directors on the post-merger board of Petrohawk, and Mr. Christmas will serve as vice-chairman. KCS believes that this level of representation on the board is appropriate considering KCS stockholders will own approximately 50% of the post-merger Petrohawk at the exchange ratio of 1.65x in addition to the \$9.00 per share in cash.

Strategic Options. KCS's board has reviewed the advantages and disadvantages of several alternative strategic directions over the last 18 months and feels that a merger with Petrohawk provides the most attractive combination of immediate value and long term potential gain for KCS stockholders. The merger agreement does not prohibit consideration of a superior offer from a third party, but does provide for a \$45 million termination payment if, among other conditions, KCS terminates the merger agreement to pursue a superior proposal.

Scope and Scale of Combined Company. The combination of KCS and Petrohawk has estimated proved reserves of approximately 1 Tcfe (77% natural gas) and estimated current daily production of approximately 290 Mmcfe/d, more than twice the size of KCS. The percent of oil in the reserve profile increases from KCS's 12% to 23% on a combined basis, thereby providing an opportunity to have more balance between oil and gas markets. KCS believes that the scope and scale of the combined company will result in greater marketing, purchasing and operational strength, facilitate internal growth and promote long-term stockholder value. In addition, it strengthens the technical capability of the combined company by effectively doubling the technical staff focused on the same areas.

Tax Consequences of the Merger. The merger is expected to be treated as a reorganization for U.S. federal income tax purposes.

Opinion of Financial Advisor. KCS's board of directors also considered the opinion of its financial advisor, Morgan Stanley, described elsewhere in this document to the effect that, as of April 20, 2006, based on the assumptions and other matters stated in its opinion, the consideration to be received by the holders of KCS common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

KCS's board of directors considered a number of additional factors in reaching its decision, including:

information concerning the financial condition, results of operations, business and prospects of each of KCS and Petrohawk, including each company's reserves, production volumes, cash flow from operations and recent performance of common stock;

the net asset value per share of common stock of each of KCS and Petrohawk;

the results of business, legal and financial due diligence investigations of Petrohawk conducted by KCS's management, financial and legal advisors; and

current industry, economic and market conditions

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KCS's board of directors recognized that there are risks associated with the merger and an investment in the combined company, including the following risks:

Fixed Exchange Ratio. KCS stockholders will receive 1.65 shares of Petrohawk common stock and \$9.00 per share of cash for each share of KCS common stock, other than employee holders of restricted stock who will receive restricted shares of Petrohawk common stock for each restricted share of KCS the employee holds, determined by adding the exchange ratio (1.65) to the result obtained by dividing the cash consideration (\$9.00) by the average closing price of Petrohawk common stock for the five trading days preceding the date on which the merger occurs. Therefore, a portion (or, in the case of employee holders of restricted stock, all) of the value of the consideration to be received by KCS stockholders at the effective time of the merger will depend on the trading price of Petrohawk common stock at that time.

Increased Indebtedness. Following the merger, the combined company is expected to have approximately \$1.3 billion in total debt and a higher debt to proved reserves ratio than KCS on a stand-alone basis. This increased indebtedness could limit the combined company's flexibility as a result of debt service requirements and restrictive covenants and may limit the combined company's business strategy or its ability to access additional capital.

Integration Risks. Petrohawk has grown rapidly by acquisitions. The combined company will face risks typical to business combinations, including challenges associated with integrating personnel, operations, information technologies and financial reporting. Unintended and unforeseen financial and operational consequences could develop in the process of that integration, including the loss by the combined company of key management and employees, customers or suppliers.

Disparate Stockholder Bases. The stockholder bases of KCS and Petrohawk are very different, with different investment styles and investment horizons, which could lead to near-term pressure on Petrohawk shares. Since the exchange ratio is fixed, this could cause the nominal value being received by KCS stockholders at closing to be diminished until any resulting selling pressure subsides.

Execution Risk. The merger might not be completed as a result of a failure to satisfy the conditions contained in the merger agreement or other reasons. Neither KCS nor Petrohawk is obligated to complete the merger unless the conditions in the merger agreement are satisfied or, in some cases, waived.

Other Risk Factors. Other matters described under the caption "Risk Factors."

The preceding discussion of the information and factors considered and given weight by KCS's board of directors is not intended to be exhaustive. However, KCS believes that the discussions included all of the material factors that the board considered. In reaching its decision to approve and to recommend approval to KCS stockholders of the merger agreement, KCS's board of directors did not assign any relative or specific weights to the factors it considered.

Opinion of Petrie Parkman to the Petrohawk Board of Directors

Opinion of Petrie Parkman to the Petrohawk Board of Directors. Petrohawk engaged Petrie Parkman as of March 31, 2006 solely to render an opinion to Petrohawk as to the fairness, from a financial point of view, to Petrohawk of the consideration to be paid by Petrohawk in a potential transaction with KCS. On April 20, 2006, Petrie Parkman rendered to the Petrohawk board of directors its oral opinion, and subsequently confirmed in writing that, as of April 20, 2006, and based upon and subject to the matters set forth therein, the merger consideration to be paid by Petrohawk in the merger was fair, from a financial point of view, to Petrohawk.

The full text of the Petrie Parkman opinion, dated April 20, 2006, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations of the review undertaken by Petrie Parkman in rendering its opinion is, with Petrie Parkman's consent,

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attached as *Annex B* to this proxy statement / prospectus and is incorporated in this document by reference. The summary of the Petrie Parkman opinion set forth in this document is qualified in its entirety by reference to the full text of the opinion. Petrohawk stockholders are urged to read the Petrie Parkman opinion carefully and in its entirety.

Petrie Parkman's opinion was provided to the Petrohawk board of directors for its use and benefit in connection with its consideration of the merger and relates solely to the fairness, from a financial point of view, to Petrohawk of the merger consideration to be paid by Petrohawk in the merger. The Petrie Parkman opinion does not constitute a recommendation to any holder of Petrohawk common stock as to how such holder should vote on the merger. Petrie Parkman's opinion does not address the relative merits of the merger as compared to any alternative business transaction or strategic alternative that might be available to Petrohawk nor does it address the underlying business decision of Petrohawk to engage in the merger. Petrie Parkman was not asked to and did not solicit offers from other persons to acquire all or a part of Petrohawk. Petrie Parkman's opinion and its presentation to the Petrohawk board of directors were among many factors taken into consideration by the Petrohawk board of directors in approving the merger agreement and making its recommendation regarding the merger.

In arriving at its opinion, Petrie Parkman, among other things:

reviewed certain publicly available business and financial information relating to Petrohawk and KCS, including Annual Reports on Form 10-K and related audited financial statements for the fiscal years ended December 31, 2003, December 31, 2004 and December 31, 2005;

reviewed certain estimates of Petrohawk's oil and gas reserves, including (i) estimates of proved reserves prepared by the independent engineering firm of Netherland, Sewell & Associates, Inc. (NSAI) as of December 31, 2005, and (ii) internal estimates of certain proved reserves prepared by the management and staff of Petrohawk as of December 31, 2005 associated with an acquisition made by Petrohawk in January 2006;

reviewed certain estimates of KCS's oil and gas reserves, including internal estimates of proved reserves prepared by the management and staff of KCS and audited by NSAI as of December 31, 2005;

analyzed certain historical and projected financial and operating data of Petrohawk and KCS prepared by the management and staff of Petrohawk and KCS, respectively;

discussed the current and projected operations and prospects of KCS with the managements and staffs of Petrohawk and KCS, and discussed the current and projected operations and prospects of Petrohawk with the management and staff of Petrohawk;

reviewed the historical market prices and trading history of Petrohawk common stock and KCS common stock;

compared recent stock market capitalization indicators for Petrohawk and KCS with recent stock market capitalization indicators for certain other publicly-traded independent energy companies;

compared the financial terms of the merger with the financial terms of other transactions that Petrie Parkman deemed to be relevant;

reviewed a draft dated April 20, 2006 of the Merger Agreement; and

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reviewed such other financial studies and analyses and performed such other investigations and took into account such other matters as Petrie Parkman deemed necessary or appropriate.

In connection with its opinion, Petrie Parkman assumed and relied upon, without assuming any responsibility for, or independently verifying, the accuracy and completeness of all information supplied or otherwise made available to Petrie Parkman by Petrohawk and KCS. Petrie Parkman further relied upon the assurances of representatives of the management of Petrohawk and KCS that they were unaware of any facts that

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would make the information provided incomplete or misleading in any material respect. With respect to projected financial and operating data, Petrie Parkman assumed that it had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements and staffs of Petrohawk and KCS, respectively, relating to the future financial and operational performance of each company. With respect to the estimates of oil and gas reserves, Petrie Parkman assumed that they have been reasonably prepared on bases reflecting the best available estimates and judgments of the managements and staffs of Petrohawk and KCS (and NSAI, as applicable) relating to the oil and gas properties of Petrohawk and KCS, respectively. Petrie Parkman did not make an independent evaluation or appraisal of the assets or liabilities of Petrohawk or KCS, nor, except for the estimates of oil and gas reserves referred to above, was Petrie Parkman furnished with any such evaluations or appraisals. In addition, Petrie Parkman did not assume any obligation to conduct, nor did Petrie Parkman conduct, any physical inspection of the properties or facilities of Petrohawk or KCS. Petrie Parkman also assumed that the final form of the merger agreement would be substantially similar to the last draft reviewed by Petrie Parkman, and that the merger would be consummated in accordance with the terms of the merger agreement without waiver of any of the conditions precedent to the merger contained in the merger agreement. Petrie Parkman did not participate in the discussions concerning the merger agreement among Petrohawk, KCS and their representatives.

Petrie Parkman's opinion was rendered on the basis of conditions in the securities markets and the oil and gas markets as they existed and could be evaluated on the date of its opinion and the conditions and prospects, financial and otherwise, of Petrohawk and KCS as they were represented to Petrie Parkman as of the date of its opinion or as they were reflected in the materials and discussions described in Petrie Parkman's opinion.

The following is a summary of the financial analyses performed by Petrie Parkman in connection with the preparation of its opinion dated April 20, 2006 and presented to the Petrohawk board of directors on that date.

This summary includes information presented in tabular format. In order to fully understand these financial analyses, the tables must be read together with the text accompanying each summary. The tables alone do not constitute a complete description of these financial analyses. Considering the data set forth in the tables without considering the full narrative description of these analyses, including the methodologies and assumptions underlying these analyses, could create a misleading or incomplete view of these financial analyses performed by Petrie Parkman.

Discounted Cash Flow Analysis. Petrie Parkman conducted a discounted cash flow analysis for proved reserves for the purpose of determining equity reference value ranges per share of Petrohawk and KCS common stock. Petrie Parkman calculated the net present value of estimates of future after-tax cash flows of Petrohawk's and KCS's respective proved oil and gas reserve assets based on the proved reserves for Petrohawk and for KCS referred to above.

Petrie Parkman evaluated five scenarios in which the principal variables were oil and gas prices. The five pricing scenarios—Pricing Case I, Pricing Case II, Pricing Case III, Strip Pricing Case Escalated, and Strip Pricing Case Flat—were based on benchmarks for spot sales of West Texas Intermediate crude oil and for spot sales of Henry Hub gas. The Strip Pricing Cases were based upon the average of oil and gas futures contract prices quoted on the New York Mercantile Exchange. Benchmark prices for Pricing Cases I, II and III were projected to be \$50.00, \$60.00 and \$70.00 per barrel of oil and \$6.50, \$7.50 and \$8.50 per million British thermal unit for gas, respectively, in 2007 and were escalated annually following 2008 at the rate of 3%. All pricing cases for the fiscal year ended 2006 reflected strip pricing for the remainder of 2006 blended with actual prices from January 1, 2006 through April 18, 2006. The Strip Pricing Case Escalated was escalated annually following the year 2010 for oil and gas at the rate of 3%. Petrie Parkman applied appropriate quality, transportation, contract and index adjustments to these benchmarks.

References to oil and gas equivalents are for purposes of comparing quantities of oil with quantities of gas or to express these different commodities in a common unit. The term "Mcf" means thousand cubic feet. The

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term Bbl means barrel. In calculating Mcf and Bbl equivalents, Petrie Parkman used a generally recognized standard in which one Bbl is equal to six Mcf. The term Mcfe means thousand cubic feet equivalent of gas, calculated by converting Bbl of oil to equivalent Mcf using the six Mcf to one Bbl ratio.

Applying various after-tax discount rates, ranging from 8.0% to 11.0% depending on reserve category for proved reserves, to the after-tax cash flows, assuming a carry-over of existing tax positions, adding probable, possible and additional potential reserve value based on 50% 75%, 25% 30%, and 10% 15%, of the proved undeveloped dollar per Mcfe value to Petrohawk and KCS probable, possible and additional potential reserve estimates, respectively, adjusting for other assets and liabilities, convertible preferred stock (for Petrohawk), long-term debt and net working capital for Petrohawk and KCS, Petrie Parkman calculated the following equity reference value ranges for each pricing case:

	Strip Pricing		Strip Pricing		Pricing		Pricing		Pricing	
	Case (Escalated)		Case (Flat)		Case I		Case II		Case III	
Petrohawk Equity	\$13.03	\$18.15	\$11.49	\$15.91	\$7.28	\$10.89	\$10.49	\$15.04	\$13.52	\$19.00
Reference Value										
Range per Share										
KCS Equity	\$28.32	\$37.63	\$26.41	\$34.84	\$18.21	\$24.60	\$23.19	\$31.17	\$28.17	\$37.76

Reference Value

Range per Share

These per share equity reference value ranges were then used to derive the implied exchange ratio ranges shown in the table below. The low end of the implied exchange ratio range is calculated by dividing the low end of the KCS equity reference value range by the high end of the Petrohawk equity reference value range and multiplying by the 71.8% stock consideration implied by the 1.65 shares of Petrohawk and \$9.00 of cash for each KCS share proposed in the transaction. The high end of the implied exchange ratio range is calculated by dividing the high end of the KCS equity reference value range by the low end of the Petrohawk equity reference value range and multiplying by the 71.8% stock consideration proposed in the transaction.

	Strip Pricing		Strip Pricing		Pricing		Pricing		Pricing	
	Case (Escalated)		Case (Flat)		Case I		Case II		Case III	
Implied Exchange	1.12	2.07	1.19	2.18	1.20	2.43	1.11	2.13	1.06	2.01

Ratio Range

Petrie Parkman noted the proposed exchange ratio of 1.65 and the implied merger consideration of \$31.87 per KCS share were supported by its analysis.

Property Transactions Analysis. Petrie Parkman reviewed selected publicly available information for 104 oil and gas property transactions announced between January 2004 and April 2006 in the East Texas / North Louisiana, Gulf Coast / South Texas, Mid Continent, Permian and Other regions of the United States. Based on a review of the purchase price multiples of proved reserves for the acquired assets in each transaction, Petrie Parkman selected appropriate benchmark multiples for Petrohawk's and KCS's corresponding proved reserve figures to yield enterprise reference value ranges for Petrohawk's and KCS's proved reserves. The number of transactions per region and the maximum, mean, median and minimum implied multiples for these transactions are set forth in the following tables together with certain benchmark multiples chosen by Petrie Parkman based on a review of these implied multiples.

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Petrie Parkman determined that the following property transactions were relevant to an evaluation of Petrohawk and KCS:

	Permian	Gulf Coast / South Texas	East Texas / North Louisiana	Mid-Continent	Other				
Number of Transactions	26	17	13	20	28				
Purchase Price of Reserves / Proved Reserves (\$/Mcfe)									
<i>Maximum</i>	\$2.80	\$2.91	\$2.50	\$3.28	\$5.77				
<i>Mean</i>	\$1.62	\$1.87	\$2.12	\$1.77	\$1.59				
<i>Median</i>	\$1.45	\$1.86	\$2.29	\$1.64	\$1.28				
<i>Minimum</i>	\$0.42	\$0.42	\$1.37	\$0.27	\$0.19				
Selected Benchmark Multiples (\$/Mcfe)	\$2.00	\$2.50	\$1.85	\$2.25	\$2.50	\$2.00	\$2.50	\$2.50	\$3.00

Petrie Parkman multiplied the benchmark multiples set forth above by Petrohawk's and KCS's respective proved reserve figures and, after adjusting for other assets and liabilities, determined enterprise reference value ranges of \$1,468 million to \$1,920 million for Petrohawk and \$1,458 million to \$1,906 million for KCS. Petrie Parkman adjusted the enterprise reference value ranges for long-term debt, convertible preferred stock (for Petrohawk), and net working capital for Petrohawk and KCS and divided by the diluted number of shares of common stock outstanding, to calculate per share equity reference value ranges of \$10.49 to \$15.70 for Petrohawk and \$22.30 to \$31.03 for KCS.

These per share equity reference value ranges were then used to derive the implied exchange ratio range of 1.02 to 2.12. The low end of the implied exchange ratio range is calculated by dividing the low end of the KCS equity reference value range by the high end of the Petrohawk equity reference value range and multiplying by the 71.8% stock consideration proposed in the transaction. The high end of the implied exchange ratio range is calculated by dividing the high end of the KCS equity reference value range by the low end of the Petrohawk equity reference value range and multiplying by the 71.8% stock consideration proposed in the transaction.

Petrie Parkman noted the proposed exchange ratio of 1.65 and the implied merger consideration of \$31.87 per KCS share were supported by its analysis.

Company Transaction Analysis. Petrie Parkman reviewed selected publicly available information on 14 company acquisition transactions and offers for control that Petrie Parkman deemed appropriate for Petrohawk and KCS, involving companies in the oil and gas exploration and production industry that were announced between February 2004 and January 2006.

Using publicly available information, Petrie Parkman calculated purchase price of equity multiples of latest twelve months (LTM), current year's and next year's estimated discretionary cash flow (DsCF) and total investment, which Petrie Parkman defined for the purposes of this analysis as purchase price of equity plus net obligations assumed, multiples of LTM, current year's and next year's estimated earnings before interest, taxes, depreciation, depletion and amortization and exploration expense (EBITDX). Petrie Parkman also calculated the implied purchase price of reserves, which Petrie Parkman defined for the purposes of this analysis as total investment less undeveloped acreage value and other assets at book value, multiples of proved reserves and the standardized measure of future net cash flows (SEC Value). In each case, estimated discretionary cash flow and EBITDX were based on First Call consensus estimates and proved reserves and SEC Value were based on the target company's public disclosures.

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Petrie Parkman determined that the following company acquisition transactions were relevant to an evaluation of Petrohawk and KCS:

Acquirer or Bidder for Control	Target	Date of Announcement
Cal Dive International, Inc.	Burlington Oil and Gas Corporation	January 23, 2006
ConocoPhillips	Burlington Resources Inc.	December 12, 2005
Occidental Petroleum Corporation	Vintage Petroleum, Inc.	October 13, 2005
Norsk Hydro ASA	Spinnaker Exploration Company	September 19, 2005
Chevron Corporation	Unocal Corporation	April 4, 2005
Petrohawk Energy Corporation	Mission Resources Corporation	April 4, 2005
Cimarex Energy Co.	Magnum Hunter Resources, Inc.	January 26, 2005
Noble Energy, Inc.	Patina Oil & Gas Corporation	December 16, 2004
Petro-Canada	Prima Energy Corporation	June 9, 2004
Forest Oil Corporation	Wiser Oil Company	May 24, 2004
Pioneer Natural Resources Company	Evergreen Resources, Inc.	May 4, 2004
EnCana Corporation	Tom Brown, Inc.	April 15, 2004
Kerr-McGee Corporation	Westport Resources Corporation	April 7, 2004
Plains Exploration & Production Company	Nuevo Energy Company	February 12, 2004

The maximum, mean, median and minimum implied multiples in these transactions are set forth below. The table below also includes benchmark multiple ranges selected by Petrie Parkman based on a review of the implied multiples in the selected transactions.

	Implied Multiples in Selected Transactions				Selected Benchmark	
	Maximum	Mean	Median	Minimum	Ranges	
Purchase Price / LTM DsCF	12.2x	7.6x	7.6x	4.1x	7.0	8.0x
Purchase Price / Current Year's Estimated DsCF	10.2x	6.5x	6.5x	2.8x	6.0	7.0x
Purchase Price / Next Year's Estimated DsCF	10.3x	6.0x	6.3x	2.5x	4.5	6.0x
Total Investment / LTM EBITDX	14.6x	7.9x	7.6x	5.0x	7.0	8.0x
Total Investment / Current Year's Estimated EBITDX	10.1x	6.7x	6.5x	4.7x	5.5	6.5x
Total Investment / Next Year's Estimated EBITDX	8.4x	6.1x	5.9x	4.3x	5.0	6.0x
Implied Purchase Price of Reserves / Proved Reserves (\$/Mcf)	\$6.83	\$ 2.59	\$ 2.18	\$ 0.66	\$3.00	3.50
Implied Purchase Price of Reserves / SEC Value	3.2x	1.8x	1.8x	0.8x	1.5	1.8x

Petrie Parkman applied the benchmark multiples to Petrohawk's and KCS's December 31, 2005 LTM, current year's and next year's estimated discretionary cash flow and EBITDX, SEC Value and proved reserves and adjusted for long-term debt, convertible preferred stock (for Petrohawk), and net working capital, where appropriate, to determine enterprise reference value ranges for Petrohawk and KCS.

Petrie Parkman also performed a premium analysis for the same universe of company acquisition transactions and offers for control, which compared the offer price per target company share with the target company's share price measured one day, 30 days and 60 days prior to the public announcement of the transaction or offer for control. The maximum, mean, median and minimum premiums (which Petrie Parkman defined for the purposes of this analysis as excess of offer price over target company's stock price stated as a percentage above the target company's stock price), together with benchmark premium ranges selected by Petrie Parkman based on a review of the implied premiums for these periods, were as follows:

	Implied Premiums in Selected Transactions				Selected Benchmark	
	Maximum	Mean	Median	Minimum	Ranges	
One Day Prior	34.4%	16.7%	20.0%	3.2%	20%	30%
30 Days Prior	54.6%	21.7%	18.4%	3.7%	15%	30%
60 Days Prior	73.6%	32.5%	30.5%	9.1%	25%	35%

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Petrie Parkman applied the range of benchmark premiums to the corresponding stock prices of Petrohawk and KCS for the periods of one day, 30 days and 60 days prior to April 18, 2006 and adjusted for long-term debt,

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convertible preferred stock (for Petrohawk), and net working capital, where appropriate, to determine enterprise reference value ranges for Petrohawk and KCS.

Petrie Parkman determined from the enterprise reference value ranges implied by these multiples a composite reference value range of \$1,900 million to \$2,200 million for Petrohawk and \$1,900 million to \$2,200 million for KCS. After deducting long-term debt, convertible preferred stock (for Petrohawk), and net working capital from the enterprise reference value ranges and dividing by the diluted number of shares of common stock outstanding, the resulting equity reference value ranges were \$15.10 to \$18.56 for Petrohawk and \$30.40 to \$36.23 for KCS.

These per share equity reference value ranges were then used to derive the implied exchange ratio range of 1.18 to 1.72. The low end of the implied exchange ratio range is calculated by dividing the low end of the KCS equity reference value range by the high end of the Petrohawk equity reference value range and multiplying by the 71.8% stock consideration proposed in the transaction. The high end of the implied exchange ratio range is calculated by dividing the high end of the KCS equity reference value range by the low end of the Petrohawk equity reference value range and multiplying by the 71.8% stock consideration proposed in the transaction.

Petrie Parkman noted the proposed exchange ratio of 1.65 and the implied merger consideration of \$31.87 per KCS share were supported by its analysis.

Capital Market Comparison. Using publicly available information, Petrie Parkman calculated market capitalization multiples of LTM, 2006 and 2007 estimated DsCF for seven publicly traded companies for Petrohawk and seven publicly traded companies for KCS. Petrie Parkman also calculated enterprise value multiples of LTM, 2006 and 2007 estimated EBITDX, proved reserves, and SEC Value for both companies. In each case, estimated DsCF and EBITDX were based on First Call consensus estimates. Petrie Parkman defined market value for purposes of this analysis as the market value of common equity as of April 18, 2006. Petrie Parkman obtained the enterprise value of each company by adding the sum of its long-term and short-term debt to the sum of the market value of its common equity, the market value of its preferred stock (or, if not publicly traded, liquidation or book value) and the book value of its minority interest in other companies and subtracting net working capital.

Petrie Parkman determined that the following companies were relevant to an evaluation of Petrohawk based on Petrie Parkman's view of the comparability of the operating and financial characteristics of these companies to those of Petrohawk:

Cabot Oil & Gas Corporation	KCS Energy, Inc.
Comstock Resources, Inc.	Rosetta Resources, Inc.
EXCO Resources, Inc.	St. Mary Land & Exploration Company
Forest Oil Corporation	

The maximum, mean, median and minimum multiples for the seven companies are set forth below. The table also includes benchmark multiple ranges selected by Petrie Parkman based on a review of the comparable company multiples.

Measure	Comparable Company Multiples				Petrohawk	
	Maximum	Mean	Median	Minimum	Selected	
					Benchmark Ranges	
Market Value / LTM DsCF	13.2x	7.0x	6.4x	3.8x	5.5	6.5x
Market Value / 2006 Estimated DsCF	7.0x	5.7x	6.0x	4.7x	4.5	5.5x
Market Value / 2007 Estimated DsCF	6.5x	5.4x	6.0x	4.0x	4.5	5.5x
Enterprise Value / LTM EBITDX	15.2x	7.4x	6.5x	4.8x	5.0	6.0x
Enterprise Value / 2006 Estimated EBITDX	6.9x	5.6x	5.6x	4.6x	5.0	6.0x
Enterprise Value / 2007 Estimated EBITDX	6.2x	5.1x	4.9x	4.2x	4.5	5.5x
Enterprise Value / Proved Reserves (\$/Mcf)	\$3.86	\$ 3.13	\$ 3.28	\$ 2.16	\$3.00	3.50
Enterprise Value / SEC Value	1.9x	1.5x	1.5x	1.1x	1.5	1.9x

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Petrie Parkman applied the benchmark multiples to Petrohawk's December 31, 2005 LTM, 2006 and 2007 estimated DsCF and EBITDX, proved reserves and SEC Value and adjusted for long-term debt, convertible preferred stock and net working capital, where appropriate, to determine enterprise reference value ranges for Petrohawk.

Petrie Parkman determined from the enterprise reference value ranges implied by these multiples a composite enterprise reference value range of \$1,650 million to \$1,900 million. After deducting long-term debt, convertible preferred stock and net working capital from the enterprise reference value range and dividing by the diluted number of shares of common stock outstanding, the resulting equity reference value range was \$12.22 to \$15.10.

Petrie Parkman determined that the following companies were relevant to an evaluation of KCS based upon Petrie Parkman's view of the comparability of the operating and financial characteristics of these companies to those of KCS:

Cabot Oil & Gas Corporation	Petrohawk Energy Corporation
Comstock Resources, Inc.	Rosetta Resources, Inc.
EXCO Resources, Inc.	St. Mary Land & Exploration Company
Forest Oil Corporation	

The maximum, mean, median and minimum multiples for the seven companies are set forth below. The table also includes benchmark multiple ranges selected by Petrie Parkman based on a review of the comparable company multiples.

Measure	Comparable Company Multiples				KCS Selected	
	Maximum	Mean	Median	Minimum	Benchmark Ranges	
Market Value / LTM DsCF	13.2x	7.3x	6.9x	3.8x	5.5	6.5x
Market Value / 2006 Estimated DsCF	7.0x	5.7x	6.0x	4.4x	4.5	5.5x
Market Value / 2007 Estimated DsCF	6.5x	5.4x	6.0x	3.8x	4.5	5.5x
Enterprise Value / LTM EBITDX	15.2x	7.9x	6.5x	4.8x	5.0	6.0x
Enterprise Value / 2006 Estimated EBITDX	6.9x	5.8x	6.0x	4.6x	5.0	6.0x
Enterprise Value / 2007 Estimated EBITDX	6.2x	5.2x	5.0x	4.2x	4.5	5.5x
Enterprise Value / Proved Reserves (\$/Mcf)	\$3.47	\$ 3.07	\$ 3.28	\$ 2.16	\$3.00	3.50
Enterprise Value / SEC Value	2.4x	1.6x	1.5x	1.1x	1.5	1.9x

Petrie Parkman applied the benchmark multiples to KCS's LTM, 2006 and 2007 estimated DsCF and EBITDX, proved reserves and SEC Value and adjusted for long-term debt and net working capital, where appropriate, to determine enterprise reference value ranges for KCS.

Petrie Parkman determined from the enterprise reference value ranges implied by these multiples a composite reference value range of \$1,700 million to \$2,000 million. After deducting long-term debt and net working capital from the enterprise reference value range and dividing by the diluted number of shares of common stock outstanding, the resulting equity reference value range was \$26.50 to \$32.34.

The per share equity reference value ranges were then used to derive the implied exchange ratio range of 1.26 to 1.90. The low end of the implied exchange ratio range is calculated by dividing the low end of the KCS equity reference value range by the high end of the Petrohawk equity reference value range and multiplying by the 71.8% stock consideration proposed in the transaction. The high end of the implied exchange ratio range is calculated by dividing the high end of the KCS equity reference value range by the low end of the Petrohawk equity reference value range and multiplying by the 71.8% stock consideration proposed in the transaction.

Petrie Parkman noted the proposed exchange ratio of 1.65 and the implied merger consideration of \$31.87 per KCS share were supported by its analysis.

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Going Concern Analysis. Petrie Parkman projected the potential financial performance of Petrohawk and KCS, without giving effect to the proposed merger, for the five year period beginning on January 1, 2006 using Pricing Cases I, II, III and the Strip Pricing Escalated Case, each as referred to in the subsection entitled "Discounted Cash Flow Analysis" above. Petrie Parkman prepared these projections using financial, operating and reserve projections prepared and/or provided by Petrohawk's and KCS's management and staff and certain assumptions based upon discussions with the managements of Petrohawk and KCS regarding Petrohawk's and KCS's potential future operating and financial performance, respectively.

For each of Petrohawk and KCS, Petrie Parkman analyzed two cases of operating projections, a Case I and Case II, in which the principal variable was the finding and development cost related to reinvestment of excess cash flow into additional exploration opportunities. Petrie Parkman calculated a range of terminal equity values by applying different terminal multiples to projected 2010 discretionary cash flow and applying after-tax discount rates of 11.0% to 13.0% to the terminal equity values.

From the equity reference values implied by this analysis, Petrie Parkman determined composite per share equity reference value ranges of \$14.00 to \$16.50 and \$17.50 to \$21.00 for Case I and Case II, respectively, for Petrohawk and \$29.00 to \$35.00 and \$37.00 to \$44.00 for Case I and Case II, respectively for KCS.

The per share equity reference value ranges for Petrohawk and KCS were then used to derive implied exchange ratios of 1.26 to 1.80 and 1.27 to 1.81 for Case I and Case II, respectively. The low end of the implied exchange ratio range is calculated by dividing the low end of the KCS equity reference value range by the high end of the Petrohawk equity reference value range and multiplying by the 71.8% stock consideration proposed in the transaction. The high end of the implied exchange ratio range is calculated by dividing the high end of the KCS equity reference value range by the low end of the Petrohawk equity reference value range and multiplying by the 71.8% stock consideration proposed in the transaction.

Petrie Parkman noted the proposed exchange ratio of 1.65 and the implied merger consideration of \$31.87 per KCS share were supported by its analysis.

Pro Forma Analysis. Petrie Parkman analyzed the pro forma financial effects of the proposed merger as of December 31, 2005 and for the fiscal years ended 2006 and 2007 using First Call consensus estimates for Petrohawk and KCS. For purposes of its analysis, Petrie Parkman assumed \$10 million of pre-tax synergies in 2006. This analysis indicated that the merger would be accretive to Petrohawk's 2006 and 2007 estimated earnings and DsCF. This analysis also indicated that the merger would result in a higher net debt plus preferred to 2006 EBITDX and a slightly lower debt to total book capitalization ratio than for Petrohawk on a stand-alone basis.

The description set forth above constitutes a summary of the analyses employed and factors considered by Petrie Parkman in rendering its opinion to the Petrohawk board of directors. Petrie Parkman believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses and factors, could create an incomplete view of the process underlying its opinion. The preparation of a fairness opinion is a complex, analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Petrie Parkman did not attribute any particular weight to any analysis considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis. Any estimates resulting from the analyses are not necessarily indicative of actual values, which may be significantly more or less favorable than as set forth in this document. In addition, analyses based on forecasts of future results are not necessarily indicative of future results, which may be significantly more or less favorable than suggested by these analyses. Estimates of reference values of companies do not purport to be appraisals or necessarily reflect the prices at which companies may actually be sold. Because the estimates are inherently subject to uncertainty and based upon numerous factors or events beyond the control of the parties and Petrie Parkman, Petrie Parkman cannot assure that the estimates will prove to be accurate.

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No company used in the analyses of other publicly traded companies nor any transaction used in the analyses of comparable transactions is identical to Petrohawk, KCS or the proposed merger. Accordingly, these analyses must take into account differences in the financial and operating characteristics of the selected publicly traded companies and differences in the structure and timing of the selected transactions and other factors that would affect the public trading values and acquisition values of the companies considered.

Pursuant to the terms of an engagement letter agreement dated effective as of March 31, 2006, Petrohawk paid Petrie Parkman a customary fee upon the delivery of Petrie Parkman's fairness opinion dated April 20, 2006. In addition, Petrohawk agreed to reimburse Petrie Parkman for reasonable out-of-pocket expenses incurred in connection with the engagement, including fees and reasonable expenses of legal counsel. Petrohawk has also agreed to indemnify Petrie Parkman and its affiliates and its and their respective directors, officers, partners, agents, employees and controlling persons to the full extent lawful, from and against certain liabilities related to or arising out of its rendering of services under its engagement, including liabilities under the federal securities laws. Petrie Parkman has, in the past, provided financial advisory services to Petrohawk and has received customary fees for such services. Furthermore, in the ordinary course of business, Petrie Parkman or its affiliates may trade in the debt or equity securities of Petrohawk or KCS for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Petrie Parkman, as part of its investment banking business, is continually engaged in the evaluation of energy-related businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and evaluations for corporate and other purposes. Petrohawk selected Petrie Parkman to provide a fairness opinion to Petrohawk because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the merger.

Opinion of Morgan Stanley to the KCS Board of Directors

KCS Energy, Inc. retained Morgan Stanley to act as its financial advisor and to provide a financial fairness opinion to the board of directors of KCS in connection with the merger. The KCS board of directors selected Morgan Stanley to act as KCS's financial advisor based on Morgan Stanley's qualifications, experience, reputation and its knowledge of the business of KCS. At the meeting of the KCS board of directors on April 20, 2006, Morgan Stanley rendered its oral and written opinion, that, based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by the holders of shares of KCS common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of Morgan Stanley's opinion, dated April 20, 2006, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the review undertaken in rendering its opinion, is attached as *Annex C* to this joint proxy statement/prospectus. The summary of Morgan Stanley's fairness opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. KCS stockholders should read this opinion carefully and in its entirety. Morgan Stanley's opinion is directed to the board of directors of KCS, addresses only the fairness from a financial point of view of the consideration to be received by holders of KCS common stock pursuant to the merger agreement, and does not address any other aspect of the merger. Morgan Stanley's opinion does not constitute a recommendation to any stockholders of KCS as to how such stockholders should vote with respect to the proposed transaction.

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of KCS and Petrohawk, respectively;

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reviewed certain internal financial statements and other financial and operating data, including internal oil and gas reserve and production estimates, concerning KCS and Petrohawk prepared by the managements of KCS and Petrohawk, respectively;

reviewed certain financial projections prepared by the managements of KCS and Petrohawk, respectively;

discussed the past and current operations and financial condition and the prospects of KCS, including internal oil and gas reserve and production estimates, with senior management of KCS;

reviewed the pro forma impact of the merger on Petrohawk's earnings per share, cash flow, consolidated capitalization and financial ratios;

reviewed the reported prices and trading activity for KCS common stock and Petrohawk common stock;

compared the financial performance of KCS and Petrohawk and the prices and trading activity of KCS common stock and Petrohawk common stock with that of certain other comparable publicly-traded companies and their securities;

reviewed the financial terms, to the extent publicly available, of certain acquisition transactions comparable to the merger;

reviewed certain reserve reports separately prepared by the managements of KCS and Petrohawk, respectively and their respective reserve engineers;

discussed certain information prepared by the management of KCS relating to strategic, financial and operational benefits anticipated from the merger and the strategic rationale for the merger with senior management of KCS;

participated in discussions and negotiations among representatives of KCS, Petrohawk and certain other parties and their respective legal and financial advisors;

reviewed the merger agreement; and

performed such other analyses and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information supplied or otherwise made available to Morgan Stanley by KCS and Petrohawk for the purposes of its opinion. With respect to the financial projections and other financial and operating data, including information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they were reasonably prepared on bases reflecting the then best currently available estimates and judgments of the future financial performance of KCS and Petrohawk. Morgan Stanley relied upon, without independent verification, the assessment by the management of KCS of the strategic rationale of the merger, including information related to certain strategic, financial and operational benefits anticipated from the merger. In addition, Morgan Stanley assumed that the merger would be consummated in accordance with the terms set forth in the merger agreement without modification, waiver or delay of any terms or conditions including, among other things, that the merger will be treated as a tax free reorganization, pursuant to the Internal Revenue Code of 1986, as amended. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed merger, no delays, limitations, conditions or restrictions would be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed merger. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of KCS or Petrohawk. With respect to the reserve estimates and reports referred to above, Morgan Stanley is not an expert

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in the engineering evaluation of oil and gas properties and, with the KCS board's consent, it relied, without independent verification, solely upon the internal reserve estimates of KCS and Petrohawk contained in the reserve reports prepared by the managements

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of KCS and Petrohawk and their respective independent reserve engineers with respect to the oil and gas properties of KCS and Petrohawk. In addition, Morgan Stanley is not a legal, regulatory or tax expert and it relied, without independent verification, on the assessment of KCS and its advisors with respect to such matters. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of April 20, 2006. Events occurring after April 20, 2006 may affect Morgan Stanley's opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion. Morgan Stanley's opinion did not address the underlying business decision to enter into the merger. Additionally, Morgan Stanley's opinion did not address the relative merits of the merger as compared to any other alternative business transaction, or whether or not such alternatives could be achieved.

The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its opinion dated as of April 20, 2006. In connection with arriving at its opinion, Morgan Stanley considered all of its analyses as a whole and did not attribute any particular weight to any analysis described below.

Some of these summaries include information in tabular format. To understand fully the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses.

In arriving at its opinion regarding the consideration to be paid to holders of KCS common stock, Morgan Stanley calculated the implied consideration per share of KCS common stock on the basis that the consideration for shares of KCS common stock in the merger would consist of \$9.00 in cash and 1.65 shares of Petrohawk common stock. As a result, Morgan Stanley calculated that the implied consideration was \$31.87 per share of KCS common stock as of April 18, 2006, which was the sum of \$9.00 in cash plus \$22.87 (which equals 1.65 multiplied by \$13.86, the closing price of Petrohawk common stock on April 18, 2006, the last trading day prior to preparation of the fairness opinion letter).

Historical Share Price Analysis

Morgan Stanley performed a historical share price analysis to obtain background information and perspective with respect to the relative historical share prices of KCS and of Petrohawk's common stock. Consequently, Morgan Stanley reviewed the historical price performance of KCS and Petrohawk common stock from April 19, 2004 through April 18, 2006. For the period from April 19, 2004 through April 18, 2006, the closing price of KCS common stock ranged from \$11.05 to \$29.03 and for Petrohawk common stock, from \$5.62 to \$16.08. Morgan Stanley noted that the closing price of KCS common stock on April 18, 2006 was \$27.71 per share and the closing price of Petrohawk common stock was \$13.86 per share. Morgan Stanley also noted that the implied consideration per share was \$31.87 as of April 18, 2006.

Analyst Price Targets

Morgan Stanley reviewed the range of publicly available equity research analyst price targets for KCS. Morgan Stanley discounted these twelve month price targets by an estimated cost of equity of 10%. This analysis resulted in a range of values of \$21.82 to \$33.64 per share of KCS common stock. Morgan Stanley noted that the implied consideration per share was \$31.87 as of April 18, 2006.

Comparable Company Analysis

Morgan Stanley performed a comparable company analysis, which attempted to provide an implied value for KCS by comparing it to similar companies. For purposes of its analysis, Morgan Stanley reviewed certain public market trading multiples for the following seven public companies which, based on its experience with companies in the energy industry, Morgan Stanley considered similar to KCS in size and business mix:

Brigham Exploration Company
Cimarex Energy Co.

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Comstock Resources Inc.
 Edge Petroleum Corporation
 Petrohawk Energy Corporation
 Petroquest Energy Inc.
 St. Mary Land & Exploration Co.

Selected multiples, which are commonly used by participants and investors in the energy industry, for KCS and each of the comparable companies were reviewed in this analysis. The selected multiples analyzed for these companies included the following:

the per share price divided by 2006 and 2007 estimated cash flow per share;

the aggregate market value divided by 2006 and 2007 estimated earnings before interest, taxes, depreciation and amortization (EBITDA);

the aggregate market value divided by 2005 proved reserves (including adjustments for certain acquisition and divestiture activity where available); and

the aggregate market value divided by 2006 estimated production.

Morgan Stanley calculated these financial multiples and ratios based on publicly available financial data as of April 18, 2006. A summary of the range of market trading multiples of the comparable companies and those multiples calculated for KCS are set forth below:

Metric	Comparable Companies Range of Multiples		Implied Transaction Multiple	KCS
Price / 06E Cash Flow	4.2	7.1x	5.3x	4.6x
Price / 07E Cash Flow	3.5	6.2x	4.5x	3.9x
Agg. Val. / 06E EBITDA	3.9	7.4x	5.6x	5.0x
Agg. Val. / 07E EBITDA	3.2	6.5x	4.9x	4.3x
Agg. Val. / Proved Reserves (\$/mcf)	\$2.26	\$5.50	\$ 4.21	\$ 3.75
Agg. Val. / 06E Production (\$000 s/mcfepd)	\$8.6	\$18.7	\$ 12.8	\$ 11.4

Morgan Stanley, based on its experience with mergers and acquisitions and companies in the energy industry and taking into account the ranges expressed above, selected for its comparable company analysis of KCS, a representative multiple range of per share price divided by 2006 estimated cash flow per share of 4.0x to 5.0x, a range of per share price divided by 2007 estimated cash flow per share of 3.5x to 4.5x, a range of aggregate value divided by 2006 estimated EBITDA of 4.5x to 5.5x, a range of aggregate value divided by 2007 estimated EBITDA of 4.0x to 5.0x, a range of aggregate value divided by total proved reserves of \$3.50 to \$4.00 per thousand cubic feet of gas equivalent, or mcf and a range of aggregate value divided by 2006 estimated production of \$10,000 to \$12,000 per mcf produced per day.

Based upon and subject to the foregoing, Morgan Stanley calculated an implied valuation range for KCS common stock of \$24.16 to \$30.20 per share based on price divided by 2006 estimated cash flow multiple range, \$24.64 to \$31.68 based on price divided by 2007 estimated cash flow multiple range, \$24.35 to \$31.11 based on aggregate value divided by 2006 estimated EBITDA multiple range, \$25.04 to \$32.82 based on aggregate value divided by 2007 estimated EBITDA multiple range, \$25.49 to \$29.99 based on aggregate value divided by total proved reserves multiple range, and \$23.52 to \$29.44 based on aggregate value divided by 2006 estimated production multiple range. Morgan Stanley noted that the implied consideration per share was \$31.87 as of April 18, 2006.

Morgan Stanley also reviewed and analyzed certain public market trading multiples for public companies similar to Petrohawk from a size and business mix perspective. For purposes of this analysis, Morgan Stanley

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identified the following seven publicly traded companies which, based on its experience with companies in the energy industry, Morgan Stanley considered similar to Petrohawk in size and business mix:

Brigham Exploration Company
Cimarex En