COMSTOCK RESOURCES INC
Form 424B5
May 12, 2014
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**Filed Pursuant to Rule 424(B)(5)**
**Registration File No. 333-184848**

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class to be Registered | Amount to be Registered | Maximum Offering Price per Unit | Maximum Aggregate Offering Price | Amount of Registration Fee(1) |
|---|---|---|---|---|
| 7.75% Senior Notes due 2019 | $100,000,000 | 100% | $100,000,000 | $12,880 |
| Guarantees of 7.75% Senior Notes due 2019 | | | | (2) |

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933.

(2) Pursuant to Rule 457(n) of the Securities Act, no separate registration fee is payable for such guarantees.

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PROSPECTUS SUPPLEMENT

(To prospectus dated November 9, 2012)

**$100,000,000**

**7 ¾% Senior Notes due 2019**

We are offering $100,000,000 aggregate principal amount of 7 ¾% Senior Notes due 2019. The notes offered hereby, which we refer to as the new notes constitute an additional issuance of our outstanding 7 ¾% Senior Notes due 2019, which we issued on March 14, 2011 in an aggregate principal amount of $300,000,000 and which we refer to as the original notes. The new notes will be issued under the same indenture as the original notes and will be treated as a single series with the original notes for all purposes under the indenture, including waivers, amendments, redemptions, and offers to purchase. We refer to the new notes and the original notes collectively, as the notes.

We will pay interest on the notes on April 1 and October 1 of each year, with the next payment due on October 1, 2014. The notes will mature on April 1, 2019.

We may redeem some or all of the notes at any time on or after April 1, 2015 at the redemption prices described in this prospectus supplement. If we sell certain assets and do not reinvest the proceeds or repay senior indebtedness or if we experience specific kinds of changes of control, we must offer to repurchase the notes.

The notes will initially be guaranteed by each of our subsidiaries that guarantees indebtedness under our credit facility and by certain of our future restricted subsidiaries. The notes and the guarantees will be our general unsecured senior obligations and will rank equal in right of payment with all of our other existing and future senior unsecured indebtedness that is not by its terms subordinated to the notes, including our 9 ½% Senior Notes due 2020. The notes will be effectively subordinated to all our existing and future secured indebtedness to the extent of the collateral securing such indebtedness, including all borrowings under our bank credit facility.

**Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-10 of this prospectus supplement and page 4 of the accompanying prospectus.**

| | Per Note | Total |
|---|---|---|
| Public offering price (1) | 105.750% | $ 105,750,000 |
| Underwriting discount | 1.750% | $ 1,750,000 |

| | | |
|---|---|---|
| Proceeds, before expenses to us (1) | 104.00% | $ 104,000,000 |

(1) Plus accrued interest from April 1, 2014.

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

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, S.A., Luxembourg, on or about May 14, 2014.

*Joint Book-Running Managers*

**BofA Merrill Lynch** **BMO Capital Markets**

*Co-Managers*

| | | |
|---|---|---|
| **Comerica Securities** | **Mitsubishi UFJ Securities** | **Regions Securities LLC** |
| **TD Securities** | **BBVA** | **Natixis** |
| **Scotiabank** | **SunTrust Robinson Humphrey** | **BB&T Capital Markets** |
| **Fifth Third Securities** | **Global Hunter Securities** | **ABN AMRO** |
| **BOSC, Inc.** | **Capital One Securities** | **CIBC** |
| **US Bancorp** | | **IBERIA Capital Partners L.L.C.** |

The date of this prospectus supplement is May 9, 2014

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus or that any information we have incorporated by reference is

accurate as of any date other than the date of the document incorporated by reference. If the information varies between this prospectus supplement and the accompanying prospectus, the information in this prospectus supplement supersedes the information in the accompanying prospectus.

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## ABOUT THIS PROSPECTUS SUPPLEMENT

The first part of this document is this prospectus supplement, which describes our business and the specific terms of this offering. The second part is the accompanying base prospectus, which we call the accompanying prospectus, and which gives more general information than this prospectus supplement, some of which may not apply to this offering. Generally, when we refer to prospectus, we are referring to both parts combined.

You should read this prospectus supplement and the accompanying prospectus carefully before you invest. Both documents contain information you should consider when deciding to purchase the new notes. In addition, we incorporate important business and financial information in this prospectus supplement and the accompanying prospectus by reference to other documents. You should read and consider the information in the documents to which we have referred you in the section captioned Where You Can Find More Information in the accompanying base prospectus.

For some of the natural gas and oil industry terms used in this prospectus supplement we have provided definitions in the section captioned Definitions in this prospectus supplement.

## WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and therefore we file annual, quarterly and current reports, proxy statements, and other documents with the Securities and Exchange Commission, or the SEC. You may read and copy any of the reports, proxy statements, and any other information that we file at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website at *http://www.sec.gov* that contains reports, proxies, information statements, and other information regarding registrants, including us, that file electronically with the SEC. We also maintain a website at *http://www.comstockresources.com*; however, the information contained at this website does not constitute part of this prospectus or any prospectus supplement. Reports, proxies, information statements, and other information about us may also be inspected at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

We have filed with the SEC a registration statement on Form S-3 under the Securities Act, with respect to the securities offered in this prospectus. This prospectus is part of that registration statement and, as permitted by the SEC s rules, does not contain all of the information set forth in the registration statement. For further information about us and the securities that may be offered, we refer you to the registration statement and the exhibits that are filed with it. You can review and copy the registration statement and its exhibits and schedules at the addresses listed above.

The SEC allows us to incorporate by reference into this prospectus certain information we file with the SEC in other documents. This means that we can disclose important information to you by referring you to other documents that we file with the SEC. The information may include documents filed after the date of this prospectus which update and supersede the information you read in this prospectus. We incorporate by reference the documents listed below, except to the extent information in those documents is different from the information contained in this prospectus, and all future documents filed by us with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act (other than current reports furnished under Item 2.02 or Item 7.01 of Form 8-K) until the offering of the securities described herein is terminated:

Our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 27, 2014;

Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed with the SEC on May 6, 2014; and

Our Current Reports on Form 8-K, filed with the SEC on February 21, 2014 and May 5, 2014.

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

Comstock Resources, Inc.

Attention: Roland O. Burns, Corporate Secretary

5300 Town and Country Blvd., Suite 500

Frisco, Texas 75034

Telephone number: (972) 668-8800

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and our public releases, include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements are identified by their use of terms such as expect, estimate, anticipate, project, plan, intend, believe and similar terms. All statement statements of historical facts, included in this prospectus, are forward-looking statements, including statements regarding:

- amount and timing of future production of oil and natural gas;
- the availability of exploration and development opportunities;
- amount, nature and timing of capital expenditures;
- the number of anticipated wells to be drilled after the date hereof;
- our financial or operating results;
- our cash flow and anticipated liquidity;
- operating costs, including lease operating expenses, administrative costs and other expenses;
- finding and development costs;
- our business strategy; and
- other plans and objectives for future operations.

Any or all of our forward-looking statements in this prospectus may turn out to be incorrect. They can be affected by a number of factors, including, among others:

- the risks described in Risk Factors and elsewhere in this prospectus;

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

the timing and success of our drilling activities;

the numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and actual future production rates and associated costs;

our ability to successfully identify, execute, or effectively integrate future acquisitions;

the usual hazards associated with the oil and natural gas industry, including fires, well blowouts, pipe failure, spills, explosions and other unforeseen hazards;

our ability to effectively market our oil and natural gas;

the availability of rigs, equipment, supplies and personnel;

our ability to discover or acquire additional reserves;

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- our ability to satisfy future capital requirements;
- changes in regulatory requirements;
- general economic conditions, status of the financial markets and competitive conditions;
- our ability to retain key members of our senior management and other key employees; and
- hostilities in the Middle East and other sustained military campaigns and acts of terrorism or sabotage that impact the supply of crude oil and natural gas.

Should one or more of the risks or uncertainties described above or elsewhere in this prospectus or in the documents incorporated by reference herein occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. We specifically disclaim all responsibility to publicly update any information contained in a forward-looking statement or any forward-looking statement in its entirety and therefore disclaim any resulting liability for potentially related damages.

## SUMMARY

*This summary is not complete and may not contain all of the information that may be important to you. You should read this entire prospectus supplement, the accompanying prospectus and all documents incorporated by reference herein and therein, including the risk factors and the financial statements and related notes, before deciding to purchase the notes. Unless otherwise indicated, or unless the context otherwise requires, all references to Comstock, we, us, and our in this prospectus supplement mean Comstock Resources, Inc. and our consolidated subsidiaries.*

### Our Business

We are engaged in the acquisition, development, production and exploration of oil and natural gas. Our common stock is listed and traded on the New York Stock Exchange under the ticker symbol CRK. In May 2013, we divested all of our oil and gas properties in West Texas and accordingly, the discussion that follows pertains solely to our continuing oil and gas operations.

Our oil and gas operations are concentrated in Texas and Louisiana. Our oil and natural gas properties are estimated to have proved reserves of 585 Bcfe with an estimated PV 10 Value of $1.1 billion as of December 31, 2013 and a standardized measure of discounted future net cash flows of $0.8 billion. Our proved oil and natural gas reserve base is 77% natural gas and 23% oil and are 73% developed as of December 31, 2013.

Our proved reserves at December 31, 2013 and our 2013 average daily production are summarized below:

| | Proved Reserves at December 31, 2013 | | | | 2013 Average Daily Production | | | |
|---|---|---|---|---|---|---|---|---|
| | Oil (MMBbls) | Natural Gas (Bcf) | Total (Bcfe) | % of Total | Oil (MBbls/d) | Natural Gas (MMcf/d) | Total (MMcfe/d) | % of Total |
| East Texas / North Louisiana | 0.4 | 341.3 | 343.8 | 58.8% | 0.1 | 128.4 | 129.5 | 68.0% |
| South Texas | 21.5 | 98.6 | 227.6 | 38.9% | 6.1 | 19.7 | 56.3 | 29.5% |
| Other Regions | 0.1 | 12.8 | 13.1 | 2.3% | 0.1 | 4.5 | 4.8 | 2.5% |
| Total | 22.0 | 452.7 | 584.5 | 100.0% | 6.3 | 152.6 | 190.6 | 100.0% |

### Strengths

*High Quality Properties*. Our operations are currently focused in two operating areas: East Texas/North Louisiana and South Texas. Our properties have an average reserve life of approximately 8.4 years and have extensive development and exploration potential. In response to the low natural gas price environment in recent years, we have focused our drilling activity primarily on oil projects and limited our natural gas drilling to wells required to hold acreage. Our Eagleville field includes 31,755 acres (25,316 net to us) located in the oil window of the Eagle Ford shale in South Texas. In 2013, 94% of our drilling and completion expenditures were related to the development of our Eagleville field. During 2013, we acquired acreage in two additional areas that are prospective for oil, including 33,624 acres (21,034 net to us) in the oil window of the Eagleford shale in or near Burleson County, Texas, and 53,470 acres (51,017 net to us) in Mississippi and Louisiana that are prospective for development in the Tuscaloosa Marine shale. Our properties in the East Texas/North Louisiana region, which are primarily prospective for natural gas, include 84,875 acres (72,232 net to us) in the Haynesville or Bossier shale formations.

*Successful Exploration and Development Program.* In 2013, we spent $481.1 million on exploration and development activities, $338.0 million of which was for drilling and completing wells. We drilled 77 wells (53.6 net to us) and completed 67 wells (44.1 net to us). We also spent $137.1 million in 2013 to acquire additional

leasehold, $0.4 million to acquire seismic data and $5.6 million for recompletions, workovers, abandonment and production facilities. Of our 2013 capital expenditures, 95% were directed towards oil projects. Our drilling activities in 2013 added 13.2 MMBOE to our proved reserves and increased our oil production in 2013 by 29% compared to 2012.

*Efficient Operator.* We operated 95% of our proved reserve base as of December 31, 2013. As operator we are better able to control operating costs, the timing and plans for future development, the level of drilling and lifting costs and the marketing of production. As an operator, we receive reimbursements for overhead from other working interest owners, which reduces our general and administrative expenses.

*Successful Acquisitions.* We have had significant growth over the years as a result of our acquisition activity. In recent years we have focused primarily on acquiring undrilled acreage rather than producing properties. We apply strict economic and reserve risk criteria in evaluating acquisitions. Over the last twenty years, we have added 1.1 Tcfe of proved oil and natural gas reserves from 38 acquisitions of producing oil and gas properties at an average cost of $1.17 per Mcfe. Our application of strict economic and reserve risk criteria have enabled us to successfully evaluate and integrate acquisitions.

**Business Strategy**

*Pursue Exploration Opportunities.* Each year, we conduct exploration activities to grow our reserve base and to replace our production. In recent years we have been focused on oil development, and we have limited our drilling on natural gas properties due to weak natural gas prices.

In 2013 our Eagleville field in South Texas was the primary focus of our drilling activity. From 2010 through 2013, we spent approximately $169.5 million leasing acreage in McMullen, Atascosa, Frio, La Salle, Karnes and Wilson Counties in South Texas, which we believe to be prospective for oil in the Eagle Ford shale formation. In 2012 we entered into a joint venture arrangement to allow us to accelerate the development of this field. Our joint venture partner participates for a one-third interest in the wells that we drill in exchange for paying $25,000 per net acre that is earned by their participation. Through December 31, 2013, we have drilled 128 wells (94.3 net to us) in our Eagleville field including 75 wells (51.6 net to us) drilled in 2013. Our joint venture partner participated in 96 of these wells and contributed $61.3 million through December 31, 2013 for acreage and an additional $5.0 million to reimburse us for a portion of common production facilities. In 2013, we added 6.1 MMBOE to our proved reserves from our drilling activity in Eagleville.

In May 2013 we completed the divestiture of our West Texas properties that were acquired in 2011. We received proceeds of $823.1 million from the sale and recognized a gain of $230.0 million ($148.6 million after income taxes). We divested of the properties due to the substantial drilling required to maintain the leases, the opportunity to earn a substantial profit from our investment and the low returns we were realizing from our 2012 drilling activity. The divestiture allowed us to repay $722.0 million of our long-term debt and to accelerate the development of our Eagleville field.

We spent $67.4 million in 2013 to acquire 33,624 acres (21,034 net to us) in or near Burleson County, Texas which are prospective for oil in the Eagle Ford shale formation, and we spent $53.3 million to acquire 53,470 acres (51,017 net to us) in Louisiana and Mississippi, which are prospective for oil in the Tuscaloosa Marine shale. We have budgeted $77.0 million in 2014 for drilling 12 wells (7.4 net to us) on the new acreage.

We have a significant acreage position of 84,875 acres (72,232 net to us) in East Texas and North Louisiana with Haynesville or Bossier shale natural gas potential, but in 2013 we elected to defer most of our drilling operations until

natural gas prices improve. We drilled two Haynesville and Bossier shale horizontal wells (2.0 net to us) in 2013, which added 37 Bcfe to our proved reserves.

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*Exploit Existing Reserves.* We seek to maximize the value of our oil and gas properties by increasing production and recoverable reserves through development drilling and workover, recompletion and exploitation activities. We utilize advanced industry technology, including 3-D seismic data, horizontal drilling, enhanced logging tools, and formation stimulation techniques.

*Maintain Flexible Capital Expenditure Budget.* The timing of most of our capital expenditures is discretionary because we have not made any significant long-term capital expenditure commitments except for contracted drilling and completion services. We operate most of the drilling projects in which we participate. Consequently, we have a significant degree of flexibility to adjust the level of such expenditures according to market conditions.

*Acquire High Quality Properties at Attractive Costs.* Historically, we have had a successful track record of increasing our oil and natural gas reserves through opportunistic acquisitions. Over the last twenty years, we have added 1.1 Tcfe of proved oil and natural gas reserves from 38 acquisitions of producing oil and gas properties at a total cost of $1.3 billion, or $1.17 per Mcfe. The acquisitions were acquired at an average of 67% of their PV 10 Value in the year the acquisitions were completed. In evaluating acquisitions, we apply strict economic and reserve risk criteria. We target properties in our core operating areas with established production and low operating costs that also have potential opportunities to increase production and reserves through exploration and exploitation activities. We also evaluate our existing properties and consider divesting of non-strategic assets when market conditions are favorable.

**Recent Developments**

For the three months ended March 31, 2014, we spent $143.0 million on development and exploration activities and $44.8 million on acreage acquisitions. We drilled 23 wells (16.7 net) and had seven wells (5.6 net) drilling at March 31, 2014. The wells drilled in the first quarter included 22 oil wells (16.5 net) in the Eagleville field in South Texas and one natural gas well (0.2 net) in our East Texas/North Louisiana region. Since the beginning of 2014, we have completed 38 (28.6 net) horizontal Eagle Ford shale wells.

Included in capital spending for the first quarter of 2014 is $33.9 million for the acquisition of an additional 30% working interest in our Burleson County, Texas acreage originally acquired in 2013. This acquisition included a 30% working interest in one producing well and approximately 9,000 net acres. Following this acquisition, and other leasing activity in the East Texas Eagle Ford shale area during the first quarter of 2014, we now have 33,903 gross acres (30,427 net to us) under lease in or near Burleson County, Texas which are prospective for Eagle Ford shale development.

In connection with the acquisition of additional interests in our Burleson County, Texas acreage, we increased our capital budget for 2014 to $510.0 million for development and exploration projects and $55.0 million for lease acquisition activity, including the first quarter acquisitions. The budget for drilling activity includes $284.0 million to drill sixty-five wells (46.0 net) in the Eagleville field in South Texas, $79.0 million to drill ten Eagle Ford shale wells (9.2 net) on the Burleson County, Texas acreage and $33.0 million to drill three wells (2.7 net) targeting the Tuscaloosa Marine shale. The budget also includes $76.0 million to complete 18 wells (13.3 net) in the Eagleville field that were drilled in 2013 and $38.0 million on facilities and other development activity.

## THE OFFERING

*The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus supplement contains a more detailed description of the terms and conditions of the notes.*

| | |
|---|---|
| Issuer | Comstock Resources, Inc. |
| Notes Offered | $100,000,000 aggregate principal amount of 7 ¾% Senior Notes due 2019. The new notes will be issued as additional notes under the same indenture governing our outstanding 7 ¾% Senior Notes due 2019 that were issued on March 14, 2011 in aggregate principal amount of $300,000,000. The new notes will be treated as a single series with the original notes for all purposes under the indenture, including waivers, amendments, redemptions and offers to purchase. |
| Maturity Date | April 1, 2019. |
| Interest Rate and Payment Dates | 7.75% per annum payable on April 1 and October 1 of each year, with the next payment due on October 1, 2014. All interest on the new notes will accrue from April 1, 2014. |
| Ranking | The new notes and the guarantees will be our and the guarantors senior unsecured obligations and will accordingly: |

- rank equally in right of payment with all of our and the guarantors existing and future senior indebtedness;
- rank senior in right of payment to all of our and the guarantors existing and future subordinated indebtedness;
- be structurally subordinated in right of payment to all of our and the guarantors existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness (including all of our borrowings and the guarantors guarantees under our bank credit facility); and

be structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any of our subsidiaries that is not also a guarantor of the notes.

As of March 31, 2014, after giving effect to the issuance and sale of the new notes and the application of the estimated net proceeds therefrom as set forth under Use of Proceeds, we would have had total consolidated indebtedness of approximately $946.1 million, consisting of approximately $257.0 million of secured indebtedness outstanding under our bank credit facility, $100.0 million of the new notes, $300.0 million of the original notes and $289.1 million of our 9 ½% senior notes due 2020. The subsidiary guarantors have no other indebtedness, excluding intercompany indebtedness. For further discussion, see Description of Other Indebtedness.

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| Optional Redemption | We may redeem the notes, in whole or in part, at any time on or after April 1, 2015 at the redemption prices described under Description of the Notes Redemption, plus accrued interest, if any, to the date of redemption. |
| Change of Control | If we experience a Change of Control (as defined under Description of the Notes Certain Definitions ), we must offer to purchase the notes at 101% of the aggregate principal amount of the notes, plus accrued interest, if any, to the date of purchase. |
| Guarantees | The payment of principal and interest on the new notes will be unconditionally guaranteed on a senior basis jointly and severally initially by each of our existing subsidiaries that guarantees indebtedness under our credit facility and by certain of our future restricted subsidiaries. Such guarantees rank equally with all other unsecured senior indebtedness of these subsidiary guarantors. |
| Certain Covenants | The indenture governing the notes contains certain covenants that, among other things, limit our ability and the ability of certain of our subsidiaries to:<br><br>incur or guarantee additional indebtedness or issue disqualified capital stock;<br><br>pay dividends or make distributions in respect of capital stock;<br><br>repurchase or redeem capital stock;<br><br>make certain investments and other restricted payments;<br><br>create liens;<br><br>enter into transactions with affiliates;<br><br>engage in sale-leaseback transactions;<br><br>sell assets; |

- issue or sell preferred stock of certain subsidiaries; and
- engage in mergers or consolidations.

These covenants are subject to important exceptions and qualifications described under Description of the Notes Certain Covenants.

| | |
|---|---|
| Covenant Suspension | At any time when the notes are rated investment grade by both Moody s Investor Services and Standard & Poor s Rating Services and no default or event of default has occurred and is continuing under the indenture, we and our subsidiaries will not be subject to many of the foregoing covenants. See Description of the Notes Covenant Suspension. |

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|---|---|
| No Active Public Market | The notes offered hereby will trade interchangeably with the original notes for trading purposes from the time of issue, but there is currently no active public trading market for the original notes. The underwriters have advised us that they presently intend to make a market in the notes. However, you should be aware that they are not obligated to make a market in the notes and may discontinue their market-making activities at any time without notice. As a result, a liquid market for the notes may not be available if you try to sell your notes. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system. |
| Use of Proceeds | The net proceeds from this offering, after deducting underwriting discounts and estimated expenses of the offering but excluding accrued interest paid by purchasers of the new notes, will be approximately $103.0 million. We intend to use the net proceeds from this offering to repay amounts borrowed under our bank credit facility. Funds repaid on our bank credit facility may be reborrowed for general corporate purposes. |
| Risk Factors | Investing in the notes involves a high degree of risk that you should carefully evaluate before deciding to purchase the notes. Please read sections captioned Risk Factors beginning on page S-10 of this prospectus supplement and page 4 of the accompanying prospectus, including all sections discussing risks and uncertainties in the documents incorporated by reference herein and therein. |
| Conflicts of Interest | Substantially all of the underwriters or their affiliates are lenders under our bank credit facility and accordingly will receive a portion of the net proceeds from this offering through the repayment of the borrowings they have extended under our bank credit facility. Because 5% or more of the net proceeds of this offering, not including underwriting compensation, may be paid to affiliates of certain of the underwriters, this offering will be made in accordance with Rule 5121 of the Financial Industry Regulatory Authority, Inc., or FINRA, which requires that a qualified independent underwriter, or QIU, participate in the preparation of the prospectus and perform the usual standards of due diligence with respect thereto. Global Hunter Securities, LLC is assuming the responsibilities of acting as QIU in connection with this offering. We have agreed to indemnify Global Hunter Securities, LLC against certain liabilities incurred in connection with it acting as QIU in this offering, including liabilities under the Securities Act. For more information, see Underwriting. |

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## SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The following tables present a summary of our historical financial data as of and for the periods indicated. The financial results are not necessarily indicative of our future operations or future financial results. In the opinion of management, such information contains all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results of such periods. The data presented below should be read in conjunction with our consolidated financial statements and the notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2013, as well as our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, each of which is incorporated by reference herein. During 2013, we divested all of our interests in our West Texas Operations, and accordingly, we have adjusted the presentation of our summary financial operating data to reflect these operations on a discontinued basis.

**Statement of Operations Data:**

| | Year Ended December 31, | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2013** | **2014** |
| | *(In thousands, except per share data)* | | | | |
| Revenues: | | | | | |
| Oil sales | $ 80,244 | $ 181,163 | $ 231,837 | $ 45,740 | $ 90,313 |
| Natural gas sales | 354,123 | 203,651 | 188,453 | 49,280 | 51,596 |
| Total oil and gas sales | 434,367 | 384,814 | 420,290 | 95,020 | 141,909 |
| Gain on sales of oil and gas properties | | 24,271 | | | |
| Total revenues | 434,367 | 409,085 | 420,290 | 95,020 | 141,909 |
| Operating expenses: | | | | | |
| Production taxes | 3,670 | 11,727 | 14,524 | 2,121 | 5,601 |
| Gathering and transportation | 28,491 | 26,265 | 17,245 | 4,202 | 3,776 |
| Lease operating (1) | 46,552 | 51,248 | 52,844 | 13,206 | 15,061 |
| Exploration | 10,148 | 61,449 | 33,423 | 2,593 | |
| Depreciation, depletion and amortization | 290,776 | 343,858 | 337,134 | 84,967 | 88,874 |
| General and administrative, net | 35,172 | 33,798 | 34,767 | 8,787 | 8,369 |
| Impairment of oil and gas properties | 60,817 | 25,368 | 652 | | |
| Loss on sales of oil and gas properties | 57 | | 2,033 | | |
| Total operating expenses | 475,683 | 553,713 | 492,622 | 115,876 | 121,681 |
| Operating income (loss) | (41,316) | (144,628) | (72,332) | (20,856) | 20,228 |
| Other income (expenses): | | | | | |
| Gain on sale of marketable securities | 35,118 | 26,621 | 7,877 | 7,877 | |
| Gains (losses) on derivative financial instruments | | 21,256 | (8,388) | (6,447) | (4,946) |
| Loss on early extinguishment of debt | (1,096) | | (17,854) | | |
| Other income | 790 | 944 | 1,059 | 245 | 251 |
| Interest expense | (41,592) | (57,906) | (73,242) | (17,578) | (13,680) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Total other income (expenses) | | (6,780) | | (9,085) | | (90,548) | | (15,903) | | (18,375) |
| Income (loss) from continuing operations before income taxes | | (48,096) | | (153,713) | | (162,880) | | (36,759) | | 1,853 |
| Benefit from (provision for) income taxes | | 14,624 | | 50,634 | | 56,157 | | 12,242 | | (688) |
| Income (loss) from continuing operations | | (33,472) | | (103,079) | | (106,723) | | (24,517) | | 1,165 |
| Income (loss) from discontinued operations | | | | 3,019 | | 147,752 | | (2,627) | | |
| Net income (loss) | $ | (33,472) | $ | (100,060) | $ | 41,029 | $ | (27,144) | $ | 1,165 |
| Basic net income (loss) per share: | | | | | | | | | | |
| Income (loss) from continuing operations | $ | (0.73) | $ | (2.22) | $ | (2.22) | $ | (0.52) | $ | 0.02 |
| Income (loss) from discontinued operations | | | | 0.06 | | 3.07 | | (0.06) | | |
| Net income (loss) | $ | (0.73) | $ | (2.16) | $ | 0.85 | $ | (0.58) | $ | 0.02 |
| Diluted net income (loss) per share: | | | | | | | | | | |
| Income (loss) from continuing operations | $ | (0.73) | $ | (2.22) | $ | (2.22) | $ | (0.52) | $ | 0.02 |
| Income (loss) from discontinued operations | | | | 0.06 | | 3.07 | | (0.06) | | |
| Net income (loss) | $ | (0.73) | $ | (2.16) | $ | 0.85 | $ | (0.58) | $ | 0.02 |
| Dividends per common share | $ | | $ | | $ | 0.375 | $ | | $ | 0.125 |
| Weighted average shares outstanding: | | | | | | | | | | |
| Basic | | 45,997 | | 46,422 | | 46,553 | | 46,730 | | 46,599 |
| Diluted | | 45,997 | | 46,422 | | 46,553 | | 46,730 | | 46,749 |

(1) Includes ad valorem taxes.

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**Balance Sheet Data:**

| | As of December 31, | | | As of March 31, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | | | *(In thousands)* | | |
| Cash and cash equivalents | $ 8,460 | $ 4,471 | $ 2,967 | $ 6,844 | $ 1,771 |
| Property and equipment, net | 2,155,568 | 1,958,687 | 2,066,735 | 1,929,840 | 2,166,275 |
| Total assets | 2,639,884 | 2,569,897 | 2,139,398 | 2,622,507 | 2,260,938 |
| Total debt | 1,196,908 | 1,324,383 | 798,700 | 1,334,957 | 949,140 |
| Stockholders equity | 1,037,625 | 933,534 | 952,005 | 901,882 | 946,006 |

**Cash Flow Data:**

| | Year Ended December 31 | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | | | *(In thousands)* | | |
| Cash flows provided by operating activities from continuing operations | $ 275,433 | $ 219,721 | $ 268,994 | $ 73,822 | $ 95,741 |
| Cash flows used for investing activities from continuing operations | (597,809) | (205,393) | (408,678) | (48,666) | (237,460) |
| Cash flows provided by (used for) financing activities from continuing operations | 673,381 | 117,502 | (576,140) | 6,681 | 140,523 |
| Cash flows provided by (used for) operating activities of discontinued operations | | 42,508 | (7,715) | 23,530 | |
| Cash flows provided by (used for) investing activities of discontinued operations | (344,277) | (178,327) | 722,035 | (52,994) | |

**Summary Operating Data:**

The following table sets forth certain of our summary operating data for the periods indicated:

| | Year Ended December 31, | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| **Net Production Data** | | | | | |
| Oil (MBbls) | 838 | 1,792 | 2,314 | 432 | 935 |
| Natural gas (MMcf) | 90,593 | 81,762 | 55,694 | 15,628 | 10,979 |
| Natural gas equivalent (MMcfe) | 95,622 | 92,515 | 69,577 | 18,221 | 16,589 |
| **Average Sales Price:** | | | | | |
| Oil ($/Bbl) | $ 95.73 | $ 101.09 | $ 100.20 | $ 105.82 | $ 96.59 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Natural gas ($/Mcf) | $ | 3.91 | $ | 2.49 | $ | 3.38 | $ | 3.15 | $ | 4.70 |
| Average equivalent price ($/Mcfe) | $ | 4.54 | $ | 4.16 | $ | 6.04 | $ | 5.21 | $ | 8.55 |
| **Expenses ($ per Mcfe):** | | | | | | | | | | |
| Production taxes | $ | 0.04 | $ | 0.13 | $ | 0.21 | $ | 0.12 | $ | 0.34 |
| Gathering and transportation | $ | 0.30 | $ | 0.28 | $ | 0.25 | $ | 0.23 | $ | 0.23 |
| Lease operating (1) | $ | 0.48 | $ | 0.55 | $ | 0.76 | $ | 0.72 | $ | 0.90 |
| Depreciation, depletion and amortization (2) | $ | 3.00 | $ | 3.76 | $ | 4.83 | $ | 4.65 | $ | 5.34 |

(1) Includes ad valorem taxes.
(2) Represents depreciation, depletion and amortization of oil and gas properties only.

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## SUMMARY OIL AND NATURAL GAS RESERVES

The following table summarizes the estimates of our net proved oil and natural gas reserves relating to our continuing operations as of the dates indicated and the present value attributable to these reserves at such dates based on reserve reports prepared by Lee Keeling and Associates, Inc. For additional information relating to our oil and natural gas reserves, see Risk Factors Our reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in our reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves and Business and Properties Oil and Natural Gas Reserves, contained in our Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated by reference herein.

| | As of December 31, | | |
|---|---|---|---|
| | **2011** | **2012** | **2013** |
| **PROVED RESERVES** | | | |
| Natural Gas (MMcf) | 1,080,644 | 437,445 | 452,653 |
| Oil (Mbbls) | 13,234 | 18,899 | 21,976 |
| Total (MMcfe) | 1,160,048 | 550,844 | 584,511 |
| PV 10 Value of Proved Reserves (000 s) (1) | $ 1,173,814 | $ 814,344 | $ 1,053,995 |
| **PROVED DEVELOPED RESERVES** | | | |
| Natural Gas (MMcf) | 546,627 | 362,426 | 344,278 |
| Oil (Mbbls) | 6,499 | 8,389 | 13,914 |
| Total (MMcfe) | 585,620 | 412,763 | 427,764 |

(1) The PV 10 Value represents the discounted future net cash flows attributable to our proved oil and gas reserves before income tax, discounted at 10%. Although it is a non-GAAP measure, we believe that the presentation of the PV 10 Value is relevant and useful to our investors because it presents the discounted future net cash flows attributable to our proved reserves prior to taking into account corporate future income taxes and our current tax structure. We use this measure when assessing the potential return on investment related to our oil and gas properties. The standardized measure of discounted future net cash flows represents the present value of future cash flows attributable to our proved oil and natural gas reserves after income tax, discounted at 10%.

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# RISK FACTORS

*In deciding whether to purchase the notes, you should carefully consider the risks described below and in the Risk Factors section on page 4 of the accompanying prospectus, any of which could cause our operating results and financial condition to be materially adversely affected, as well as other information and data included in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein.*

## Risks Related to This Offering

***Our substantial indebtedness could limit our flexibility, adversely affect our financial health and prevent us from fulfilling our obligations under the notes.***

We have, and after this offering will continue to have, a substantial amount of indebtedness. As of March 31, 2014, after giving effect to this offering and the use of proceeds therefrom, we and the subsidiary guarantors would have had approximately $257.0 million of secured indebtedness outstanding to which the notes and the subsidiary guarantees would have been effectively subordinated, and approximately $425.0 million of additional secured indebtedness would have been available for borrowing under our bank credit facility. We have demands on our cash resources in addition to interest expense and principal on the notes, including, among others, operating expenses, capital expenditures and interest and principal payments under our bank credit facility and the notes offered hereby.

Our substantial indebtedness could have important consequences to you. For example, it could:

- make it difficult for us to satisfy our obligations with respect to the notes and our other debt;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other purposes;
- make us more vulnerable to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for operations, acquisitions and other purposes;
- expose us to the risk of increased interest rate as certain of our borrowings, including borrowings under our bank credit facility, are at variable rates of interest;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

place us at a competitive disadvantage compared to competitors that may have proportionately less indebtedness; and

increase our cost of borrowing.

We may incur substantial additional indebtedness in the future. Our incurrence of additional indebtedness would intensify the risks described above.

***We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our ability to make scheduled payments on or refinance our debt obligations, including the notes, and to satisfy our other liabilities depends on our financial condition and operating performance, which are subject to

prevailing economic, capital markets and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. In addition, our ability to meet our debt service obligations may also be affected by changes in prevailing interest rates, as borrowings under our bank credit facility bear interest at floating rates. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness, including the notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreement governing the bank credit facility and the indenture that will govern the notes will restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. See Description of Other Indebtedness and Description of the Notes in this prospectus supplement.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under the notes.

If we cannot make scheduled payments on our debt, we will be in default and holders of the notes could declare all outstanding principal and interest to be due and payable, the lenders under the bank credit facility could terminate their commitments to loan money, and we could be forced into bankruptcy or liquidation. All of these events could result in your losing your investment in the notes.

***The instruments governing our indebtedness contain various covenants limiting the discretion of our management in operating our business.***

The indenture governing the notes and our bank credit facility contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in activities that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness, guarantee obligations or issue disqualified capital stock;
- pay dividends or distributions on our capital stock or redeem, repurchase or retire our capital stock;
- prepay, redeem or repurchase certain debt;
- make investments or other restricted payments;

grant liens on assets;

enter into transactions with stockholders or affiliates;

engage in sale-leaseback transactions;

sell assets;

issue or sell preferred stock of certain subsidiaries;

alter the businesses we conduct; and

merge or consolidate.

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In addition, our bank credit facility also requires us to maintain a maximum leverage ratio and minimum interest coverage ratio.

If we fail to comply with the restrictions in the indenture governing the notes, our bank credit facility or any other subsequent financing agreements, a default may allow the creditors, if the agreements so provide, to accelerate the related indebtedness as well as any other indebtedness to which a cross-acceleration or cross-default provision applies. If that occurs, we may not be able to make all of the required payments or borrow sufficient funds to refinance such debt. Even if new financing were available at that time, it may not be on terms acceptable to us. In addition, lenders may be able to terminate any commitments they had made to make available further funds. As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

***Any failure to meet our debt obligations could harm our business, financial condition and results of operations.***

If our cash flow and capital resources are insufficient to fund our debt obligations, we may be forced to sell assets, seek additional equity or debt capital or restructure our debt. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms to us, if at all. Our cash flow and capital resources may be insufficient for payment of interest on and principal of our debt in the future, including payments on the notes, and any such alternative measures may be unsuccessful or may not permit us to meet scheduled debt service obligations, which could cause us to default on our obligations and impair our liquidity.

***Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.***

Borrowings under our bank credit facility are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

***We may be unable to purchase your notes upon a change of control.***

Upon the occurrence of a change of control, as defined in the indenture governing the notes, we will be required to offer to purchase all outstanding notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon to the date of purchase. The holders of our 9 ½% Senior Notes due 2020 have similar rights upon a change of control, which would increase the amount of indebtedness we would be required to offer to purchase upon a change of control. We may not have sufficient financial resources to

purchase all of the notes that holders tender to us upon a change of control offer, or might be prohibited from doing so under our bank credit facility or our other indebtedness. The occurrence of a change of control also could constitute an event of default under our bank credit facility or our other indebtedness. See Description of the Notes Certain Covenants Change of Control.

The exercise by the holders of notes of their right to require us to repurchase the notes pursuant to a change of control offer could cause a default under the agreements governing our other indebtedness, including future agreements, even if the change of control itself does not, due to the financial effect of such repurchases on us. In the event a change of control offer is required to be made at a time when we are prohibited from purchasing notes, we could attempt to refinance the borrowings that contain such prohibitions. If we do not obtain a consent or repay those borrowings, we will remain prohibited from purchasing notes. In that case, our failure to purchase tendered notes would constitute an event of default under the indenture which could, in turn, constitute a default under our other indebtedness. Finally, our ability to pay cash to the holders of notes upon a repurchase may be limited by our then existing financial resources.

***The change of control put right might not be enforceable.***

In a recent court decision, the Chancery Court of Delaware raised the possibility that a change of control put right occurring as a result of a failure to have continuing directors comprising a majority of a board of directors might be unenforceable on public policy grounds. Therefore, you may not be entitled to receive this protection under the indenture.

***The notes and the guarantees are effectively subordinated to all of our and our subsidiary guarantors secured indebtedness and all indebtedness of our non-guarantor subsidiaries.***

The notes will not be secured. The borrowings under our bank credit facility are secured by liens on all of our and our subsidiary guarantors assets. If we or any of these subsidiary guarantors declare bankruptcy, liquidate or dissolve, or if payment under the bank credit facility or any of our other secured indebtedness is accelerated, our secured lenders would be entitled to exercise the remedies available to a secured lender under applicable law and will have a claim on those assets before the holders of the notes. As a result, the notes are effectively subordinated to our and our subsidiaries secured indebtedness to the extent of the value of the assets securing that indebtedness, and the holders of the notes would in all likelihood recover ratably less than the lenders of our and our subsidiaries secured indebtedness in the event of our bankruptcy, liquidation or dissolution. As of March 31, 2014, after giving effect to this offering and the use of proceeds therefrom, we and the subsidiary guarantors would have had approximately $257.0 million of secured indebtedness outstanding to which the notes and the subsidiary guarantees would have been effectively subordinated, and approximately $425.0 million of additional secured indebtedness would have been available for borrowing under our bank credit facility.

In addition, the notes will be structurally subordinated to all of the liabilities of our subsidiaries that do not guarantee the notes. In the event of a bankruptcy, liquidation or dissolution of any of the non-guarantor subsidiaries, holders of their indebtedness, their trade creditors and holders of their preferred equity will generally be entitled to payment on their claims from assets of those subsidiaries before any assets are made available for distribution to us.

***Federal and state statutes allow courts, under specific circumstances, to void the guarantees and require noteholders to return payments received from the guarantors.***

Creditors of any business are protected by fraudulent conveyance laws which differ among various jurisdictions, and these laws may apply to the issuance of the guarantees by our subsidiary guarantors. The guarantee may be voided by

a court, or subordinated to the claims of other creditors, if, among other things:

- the indebtedness evidenced by the guarantees was incurred by a subsidiary guarantor with actual intent to hinder, delay or defraud any present or future creditor of such subsidiary guarantor; or

our subsidiary guarantors did not receive fair consideration or reasonably equivalent value for issuing the guarantees, and the applicable subsidiary guarantors:

(1) were insolvent, or were rendered insolvent by reason of issuing the applicable guarantee,

(2) were engaged or about to engage in a business or transaction for which the remaining assets of the applicable subsidiary guarantor constituted unreasonably small capital, or

(3) intended to incur, or believed that we or they would incur, indebtedness beyond our or their ability to pay as they matured.

In addition, any payment by such subsidiary guarantor pursuant to any guarantee could be voided and required to be returned to such subsidiary guarantor, or to a fund for the benefit of creditors of such subsidiary guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a subsidiary guarantor would be considered insolvent if:

the sum of such subsidiary guarantor s debts, including contingent liabilities, were greater than the fair saleable value of all of such subsidiary guarantor s assets;

the present fair saleable value of such subsidiary guarantor s assets were less than the amount that would be required to pay such subsidiary guarantor s probable liability on existing debts, including contingent liabilities, as they become absolute and mature; or

any subsidiary guarantor could not pay debts as they become due.

Based upon financial and other information, we believe that the guarantees are being incurred for proper purposes and in good faith and that each subsidiary guarantor is solvent and will continue to be solvent after this offering is completed, will have sufficient capital for carrying on its business after such issuance and will be able to pay its indebtedness as they mature. We cannot assure you, however, that a court reviewing these matters would agree with us. A legal challenge to a guarantee on fraudulent conveyance grounds may focus on the benefits, if any, realized by us or the subsidiary guarantors as a result of our issuance of the guarantees.

***Receipt of payment on the notes, as well as the enforcement of remedies under the subsidiary guarantees, may be limited in bankruptcy or in equity.***

An investment in the notes, as in any type of security, involves insolvency and bankruptcy considerations that investors should carefully consider. If we or any of our subsidiary guarantors become a debtor subject to insolvency proceedings under the bankruptcy code, it is likely to result in delays in the payment of the notes and in the exercise of enforcement remedies under the notes or the subsidiary guarantees. Provisions under the bankruptcy code or general principles of equity that could result in the impairment of your rights include the automatic stay, avoidance of preferential transfers by a trustee or a debtor-in-possession, substantive consolidation, limitations of collectability of

unmatured interest or attorneys fees and forced restructuring of the notes.

If a bankruptcy court substantively consolidated us and our subsidiaries, the assets of each entity would be subject to the claims of creditors of all entities. This would expose you not only to the usual impairments arising from bankruptcy, but also to potential dilution of the amount ultimately recoverable because of the larger creditor base. Furthermore, forced restructuring of the notes could occur through the cram-down provision of the bankruptcy code. Under this provision, the notes could be restructured over your obligations as to their general terms, primarily interest rate and maturity.

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***Your ability to resell the notes may be limited by a number of factors and the prices for the notes may be volatile.***

There currently is no active market for the notes, and we cannot assure you that any active or liquid trading market for these notes will develop. The notes are not listed on any securities exchange or on any automated dealer quotation system. Although we have been informed by the underwriters that they currently intend to make a market in the notes, they are not obligated to do so and any market-making may be discontinued at any time without notice. See Underwriting. Trading prices of the notes could depend on many factors, including among other things:

- changes in the overall market for non-investment grade securities;
- changes in our financial performance or prospects;
- the prospects for companies in our industry generally;
- the number of holders of the notes;
- the interest of securities dealers in making a market for the notes; and
- prevailing interest rates.

In addition, the market for non-investment grade indebtedness has been historically subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes offered hereby. The market for the notes, if any, may be subject to similar disruptions. Any such disruption could adversely affect the value of your notes.

***A ratings agency downgrade could lead to increased borrowing costs and credit stress.***

If one or more rating agencies that rate the notes either assigns the notes a rating lower than the rating expected by the investors, or reduces its rating in the future, the market price of the notes, if any, would be adversely affected. Consequently, you may not be able to resell your notes without a substantial discount. In addition, if any of our other outstanding debt that is rated is downgraded, raising capital will become more difficult for us, borrowing costs under our bank credit facility and other future borrowings may increase and the market price of the notes, if any, may decrease.

***If the notes receive an investment grade rating, many of the covenants in the indenture governing the notes will be suspended, thereby reducing some of your protections in the indenture.***

If at any time the notes receive investment grade ratings from both Standard & Poor s Rating Group and Moody s Investor Services, Inc. subject to certain additional conditions, many of the covenants in the indenture that will govern the notes, applicable to us and our restricted subsidiaries, including the limitations on indebtedness and disqualified capital stock and restricted payments, will be suspended. While these covenants will be reinstated if we fail to maintain investment grade ratings on the notes or in the event of a continuing default or event of default thereunder, during the suspension period noteholders will not have the protection of these covenants and we will have greater

flexibility to incur indebtedness and make restricted payments.

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## Risks Related to Our Business

***A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition, cash flow, liquidity or results of operations and our ability to meet our capital expenditure obligations and financial commitments and to implement our business strategy.***

Our business is heavily dependent upon the prices of, and demand for, oil and natural gas. Historically, the prices for oil and natural gas have been volatile and are likely to remain volatile in the future. Prices for oil remained strong in 2013, and our realized natural gas prices increased by 36% in 2013 to $3.38 per Mcf. However, natural gas prices by historical standards remain low.

The prices we receive for our oil and natural gas production continue to be subject to wide fluctuations and depend on numerous factors beyond our control, including the following:

- the domestic and foreign supply of oil and natural gas;
- weather conditions;
- the price and quantity of imports of oil and natural gas;
- political conditions and events in other oil-producing and natural gas-producing countries, including embargoes, hostilities in the Middle East and other sustained military campaigns, and acts of terrorism or sabotage;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- domestic government regulation, legislation and policies;
- the level of global oil and natural gas inventories;
- technological advances affecting energy consumption;
- the price and availability of alternative fuels; and
- overall economic conditions.

Lower oil and natural gas prices will adversely affect:

- our revenues, profitability and cash flow from operations;
- the value of our proved oil and natural gas reserves;
- the economic viability of certain of our drilling prospects;
- our borrowing capacity; and
- our ability to obtain additional capital.

***We pursue acquisitions as part of our growth strategy and there are risks in connection with acquisitions.***

Our growth has been attributable in part to acquisitions of producing properties and companies. More recently we have been focused on acquiring acreage for our drilling program. We expect to continue to evaluate and, where appropriate, pursue acquisition opportunities on terms we consider favorable. However, we cannot

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assure you that suitable acquisition candidates will be identified in the future, or that we will be able to finance such acquisitions on favorable terms. In addition, we compete against other companies for acquisitions, and we cannot assure you that we will successfully acquire any material property interests. Further, we cannot assure you that future acquisitions by us will be integrated successfully into our operations or will increase our profits.

The successful acquisition of producing properties requires an assessment of numerous factors beyond our control, including, without limitation:

- recoverable reserves;
- exploration potential;
- future oil and natural gas prices;
- operating costs; and
- potential environmental and other liabilities.

In connection with such an assessment, we perform a review of the subject properties that we believe to be generally consistent with industry practices. The resulting assessments are inexact and their accuracy uncertain, and such a review may not reveal all existing or potential problems, nor will it necessarily permit us to become sufficiently familiar with the properties to fully assess their merits and deficiencies. Inspections may not always be performed on every well, and structural and environmental problems are not necessarily observable even when an inspection is made.

Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties, which may be substantially different in operating and geologic characteristics or geographic location than our existing properties. While our current operations are focused in Texas, Louisiana and Mississippi, we may pursue acquisitions or properties located in other geographic areas.

***Our future production and revenues depend on our ability to replace our reserves.***

Our future production and revenues depend upon our ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable. Our proved reserves will generally decline as reserves are depleted, except to the extent that we conduct successful exploration or development activities or acquire properties containing proved reserves, or both. To increase reserves and production, we must continue our acquisition and drilling activities. We cannot assure you, however, that our acquisition and drilling activities will result in significant additional reserves or that we will have continuing success drilling productive wells at low finding and development costs. Furthermore, while our revenues may increase if prevailing oil and natural gas prices increase significantly, our finding costs for additional reserves could also increase.

***Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities or quantities sufficient to meet our targeted rate of return.***

A prospect is a property in which we own an interest or have operating rights and that has what our geoscientists believe, based on available seismic and geological information, to be an indication of potential oil or natural gas. Our prospects are in various stages of evaluation, ranging from a prospect that is ready to be drilled to a prospect that will require substantial additional evaluation and interpretation. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in

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commercial quantities. The analysis that we perform using data from other wells, more fully explored prospects and/or producing fields may not be useful in predicting the characteristics and potential reserves associated with our drilling prospects. If we drill additional unsuccessful wells, our drilling success rate may decline and we may not achieve our targeted rate of return.

***Our business involves many uncertainties and operating risks that can prevent us from realizing profits and can cause substantial losses.***

Our future success will depend on the success of our exploration and development activities. Exploration activities involve numerous risks, including the risk that no commercially productive natural gas or oil reserves will be discovered. In addition, these activities may be unsuccessful for many reasons, including weather, cost overruns, equipment shortages and mechanical difficulties. Moreover, the successful drilling of a natural gas or oil well does not ensure we will realize a profit on our investment. A variety of factors, both geological and market-related, can cause a well to become uneconomical or only marginally economical. In addition to their costs, unsuccessful wells can hurt our efforts to replace production and reserves.

Our business involves a variety of operating risks, including:

- unusual or unexpected geological formations;
- fires;
- explosions;
- blow-outs and surface cratering;
- uncontrollable flows of natural gas, oil and formation water;
- natural disasters, such as hurricanes, tropical storms and other adverse weather conditions;
- pipe, cement, or pipeline failures;
- casing collapses;
- mechanical difficulties, such as lost or stuck oil field drilling and service tools;
- abnormally pressured formations; and

- environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases.

If we experience any of these problems, well bores, gathering systems and processing facilities could be affected, which could adversely affect our ability to conduct operations.

We could also incur substantial losses as a result of:

- injury or loss of life;
- severe damage to and destruction of property, natural resources and equipment;
- pollution and other environmental damage;
- clean-up responsibilities;

- regulatory investigation and penalties;
- suspension of our operations; and
- repairs to resume operations.

***We operate in a highly competitive industry, and our failure to remain competitive with our competitors, many of which have greater resources than we do, could adversely affect our results of operations.***

The oil and natural gas industry is highly competitive in the search for and development and acquisition of reserves. Our competitors often include companies that have greater financial and personnel resources than we do. These resources could allow those competitors to price their products and services more aggressively than we can, which could hurt our profitability. Moreover, our ability to acquire additional properties and to discover reserves in the future will be dependent upon our ability to evaluate and select suitable properties and to close transactions in a highly competitive environment.

***If oil and natural gas prices decline, we may be required to write-down the carrying values and/or the estimates of total reserves of our oil and natural gas properties, which would constitute a non-cash charge to earnings and adversely affect our results of operations.***

Accounting rules applicable to us require that we review periodically the carrying value of our oil and natural gas properties for possible impairment. Based on specific market factors and circumstances at the time of prospective impairment reviews and the continuing evaluation of development plans, production data, economics and other factors, we may be required to write down the carrying value of our oil and natural gas properties. A write-down constitutes a non-cash charge to earnings. We may incur non-cash charges in the future, which could have a material adverse effect on our results of operations in the period taken. We may also reduce our estimates of the reserves that may be economically recovered, which could have the effect of reducing the total value of our reserves.

***Our hedging transactions could result in financial losses or could reduce our income. To the extent we have hedged a significant portion of our expected production and actual production is lower than we expected or the costs of goods and services increase, our profitability would be adversely affected.***

To achieve more predictable cash flows and to reduce our exposure to adverse fluctuations in the prices of oil and gas, we have entered into and may in the future enter into hedging transactions for certain of our expected oil and natural gas production. These transactions could result in both realized and unrealized hedging losses.

The extent of our commodity price exposure is related largely to the effectiveness and scope of our derivative activities. For example, the derivative instruments we utilize are primarily based on New York Mercantile Exchange ( NYMEX ) futures prices, which may differ significantly from the actual crude oil and gas prices we realize in our operations. Furthermore, we have adopted a policy that requires, and our revolving credit facility also requires, that we enter into derivative transactions related to only a portion of our expected production volumes and, as a result, we will continue to have direct commodity price exposure on the portion of our production volumes not covered by these derivative financial instruments.

Our actual future production may be significantly higher or lower than we estimate at the time we enter into derivative transactions. If our actual future production is higher than we estimated, we will have greater commodity price exposure than we intended. If our actual future production is lower than the nominal amount that is subject to our

derivative financial instruments, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale or purchase of the underlying physical commodity, resulting in a substantial diminution in our profitability and liquidity. As a result of these factors, our derivative activities may not be as effective as we intend in reducing the volatility of our cash flows, and in certain circumstances may actually increase the volatility of our cash flows.

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In addition, our hedging transactions are subject to the following risks:

- we may be limited in receiving the full benefit of increases in oil and gas prices as a result of these transactions;
- a counterparty may not perform its obligation under the applicable derivative financial instrument or may seek bankruptcy protection;
- there may be a change in the expected differential between the underlying commodity price in the derivative instrument and the actual price received; and
- the steps we take to monitor our derivative financial instruments may not detect and prevent violations of our risk management policies and procedures, particularly if deception or other intentional misconduct is involved.

***Our reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in our reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.***

Reserve engineering is a subjective process of estimating the recovery from underground accumulations of oil and natural gas that cannot be precisely measured. The accuracy of any reserve estimate depends on the quality of available data, production history and engineering and geological interpretation and judgment. Because all reserve estimates are to some degree imprecise, the quantities of oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future oil and natural gas prices may all differ materially from those assumed in these estimates. The information regarding present value of the future net cash flows attributable to our proved oil and natural gas reserves is only estimated and should not be construed as the current market value of the oil and natural gas reserves attributable to our properties. Thus, such information includes revisions of certain reserve estimates attributable to proved properties included in the preceding year s estimates. Such revisions reflect additional information from subsequent activities, production history of the properties involved and any adjustments in the projected economic life of such properties resulting from changes in product prices. Any future downward revisions could adversely affect our financial condition, our borrowing ability, our future prospects and the value of our common stock.

As of December 31, 2013, 27% of our total proved reserves were undeveloped and 13% were developed non-producing. These reserves may not ultimately be developed or produced. Furthermore, not all of our undeveloped or developed non-producing reserves may be ultimately produced at the time periods we have planned, at the costs we have budgeted, or at all. As a result, we may not find commercially viable quantities of oil and natural gas, which in turn may result in a material adverse effect on our results of operations.

***The unavailability or high cost of drilling rigs, equipment, supplies or qualified personnel and oilfield services could adversely affect our ability to execute our exploration and development plans on a timely basis and within our budget.***

Our industry has experienced a shortage of drilling rigs, equipment, supplies and qualified personnel in prior years as the result of higher demand for these services. Shortages of drilling rigs, equipment or supplies or qualified personnel in the areas in which we operate could delay or restrict our exploration and development operations, which in turn could adversely affect our financial condition and results of operations because of our concentration in those areas.

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***If we are unsuccessful at marketing our oil and natural gas at commercially acceptable prices, our profitability will decline.***

Our ability to market oil and natural gas at commercially acceptable prices depends on, among other factors, the following:

- the availability and capacity of gathering systems and pipelines;
- federal and state regulation of production and transportation;
- changes in supply and demand; and
- general economic conditions.

Our inability to respond appropriately to changes in these factors could negatively affect our profitability.

***Market conditions or operational impediments may hinder our access to oil and natural gas markets or delay our production.***

Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and processing facilities. Our ability to market our production depends in a substantial part on the availability and capacity of gathering systems, pipelines and processing facilities, in some cases owned and operated by third parties. Our failure to obtain such services on acceptable terms could materially harm our business. We may be required to shut in wells for a lack of a market or because of the inadequacy or unavailability of pipelines or gathering system capacity. If that were to occur, then we would be unable to realize revenue from those wells until arrangements were made to deliver our production to market.

***We are subject to extensive governmental laws and regulations that may adversely affect the cost, manner or feasibility of doing business.***

Our operations and facilities are subject to extensive federal, state and local laws and regulations relating to the exploration for, and the development, production and transportation of, oil and natural gas, and operating safety. Future laws or regulations, any adverse changes in the interpretation of existing laws and regulations or our failure to comply with existing legal requirements may harm our business, results of operations and financial condition. We may be required to make large and unanticipated capital expenditures to comply with governmental laws and regulations, such as:

- lease permit restrictions;

drilling bonds and other financial responsibility requirements, such as plug and abandonment bonds;

spacing of wells;

unitization and pooling of properties;

safety precautions;

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- regulatory requirements; and
- taxation.

Under these laws and regulations, we could be liable for:

- personal injuries;
- property and natural resource damages;
- well reclamation costs; and
- governmental sanctions, such as fines and penalties.

Our operations could be significantly delayed or curtailed and our cost of operations could significantly increase as a result of regulatory requirements or restrictions. We are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations.

***Recently approved final rules regulating air emissions from natural gas production operations could cause us to incur increased capital expenditures and operating costs, which may be significant.***

On August 16, 2012, the EPA adopted final regulations under the Clean Air Act that, among other things, require additional emissions controls for natural gas and natural gas liquids production, including New Source Performance Standards to address emissions of sulfur dioxide and volatile organic compounds ( VOCs ) and a separate set of emission standards to address hazardous air pollutants frequently associated with such production activities. The final regulations require the reduction of VOC emissions from natural gas wells through the use of reduced emission completions or green completions on all hydraulically fractured wells constructed or refractured after January 1, 2015. For well completion operations occurring at such well sites before January 1, 2015, the final regulations allow operators to capture and direct flowback emissions to completion combustion devices, such as flares, in lieu of performing green completions. These regulations also establish specific new requirements regarding emissions from dehydrators, storage tanks and other production equipment. On September 23, 2013, the EPA revised the emission requirements for storage tanks emitting certain levels of VOCs requiring a 95% reduction of VOC emissions by April 15, 2014 and April 15, 2015 (depending on the date of construction of the storage tank). Compliance with these requirements could increase our costs of development and production, though we do not expect these requirements to be any more burdensome to us than to other similarly situated companies involved in oil and natural gas exploration and production activities.

***Our operations are substantially dependent on the availability of water. Restrictions on our ability to obtain water may have an adverse effect on our financial condition, results of operations and cash flows.***

Water is an essential component of both the drilling and hydraulic fracturing processes. Historically, we have been able to purchase water from various sources for use in our operations. In recent years South Texas has experienced the lowest inflows of water in recent history. As a result of this severe drought, some local water districts may begin restricting the use of water subject to their jurisdiction for drilling and hydraulic fracturing in order to protect the local

water supply. If we are unable to obtain water to use in our operations from local sources, we may be unable to economically produce oil and natural gas, which could have an adverse effect on our financial condition, results of operations and cash flows.

***Our operations may incur substantial liabilities to comply with environmental laws and regulations.***

Our oil and natural gas operations are subject to stringent federal, state and local laws and regulations relating to the release or disposal of materials into the environment and otherwise relating to environmental protection. These laws and regulations:

- require the acquisition of one or more permits before drilling commences;

- impose limitations on where drilling can occur and/or requires mitigation before authorizing drilling in certain locations;
- restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling and production activities;
- require reporting of significant releases, and annual reporting of the nature and quantity of emissions, discharges and other releases into the environment;
- limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas; and
- impose substantial liabilities for pollution resulting from our operations.

Failure to comply with these laws and regulations may result in:

- the assessment of administrative, civil and criminal penalties;
- the incurrence of investigatory and/or remedial obligations; and
- the imposition of injunctive relief.

In June 2009 the United States House of Representatives passed the American Clean Energy and Security Act of 2009. A similar bill, the Clean Energy Jobs and American Power Act, introduced in the Senate, did not pass. Both bills contained the basic feature of establishing a cap and trade system for restricting greenhouse gas emissions in the United States. Under such a system, certain sources of greenhouse gas emissions would be required to obtain greenhouse gas emission allowances corresponding to their annual emissions of greenhouse gases. The number of emission allowances issued each year would decline as necessary over time to meet overall emission reduction goals. As the number of greenhouse gas emission allowances declines each year, the cost or value of allowances is expected to escalate significantly. It appears that the prospects for a cap and trade system such as that proposed in these bills have dimmed significantly; however, the EPA has moved ahead with its efforts to regulate GHG emissions from certain sources by rule. The EPA issued Subpart W of the Final Mandatory Reporting of Greenhouse Gases Rule, which required petroleum and natural gas systems that emit 25,000 metric tons of $CO_2$e or more per year to begin collecting GHG emissions data under a new reporting system. We believe we have met all of the reporting requirements under these new regulations. Beyond measuring and reporting, the EPA issued an Endangerment Finding under section 202(a) of the Clean Air Act, concluding greenhouse gas pollution threatens the public health and welfare of current and future generations. The EPA has adopted regulations that would require permits for and reductions in greenhouse gas emissions for certain facilities. States in which we operate may also require permits and reductions in GHG emissions. Since all of our oil and natural gas production is in the United States, these laws or regulations that have been or may be adopted to restrict or reduce emissions of greenhouse gases could require us to incur substantial increased operating costs, and could have an adverse effect on demand for the oil and natural gas we produce.

In 2010 the Bureau of Land Management began implementation of a proposed oil and gas leasing reform. The leasing reform requires, among other things, a more detailed environmental review prior to leasing oil and natural gas resources on federal lands, increased public engagement in the development of Master Leasing Plans prior to leasing areas where intensive new oil and gas development is anticipated, and a comprehensive parcel review process with greater public involvement in the identification of key environmental resource values before a parcel is leased. New leases would incorporate adaptive management stipulations, requiring lessees to monitor and respond to observed environmental impacts, possibly through the implementation of expensive new control measures or curtailment of operations, potentially reducing profitability. The leasing reform policy could have the effect of reducing the amount of new federal lands made available for lease, increasing the competition for and cost of available parcels.

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Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly restrictions on emissions, and/or waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to reach and maintain compliance and may otherwise have a material adverse effect on our industry in general and on our own results of operations, competitive position or financial condition. Under these environmental laws and regulations, we could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release or contamination or if our operations met previous standards in the industry at the time they were performed. Future environmental laws and regulations, including proposed legislation regulating climate change, may negatively impact our industry. The costs of compliance with these requirements may have an adverse impact on our financial condition, results of operations and cash flows.

***The enactment of derivatives legislation and regulation could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business.***

On July 21, 2010, new comprehensive financial reform legislation, known as the Dodd-Frank Wall Street Reform and Consumer Protection Act ( Dodd-Frank ), was enacted that established federal oversight regulation of over-the-counter derivatives market and entities, such as us, that participate in that market. Dodd-Frank requires the Commodities Futures Trading Commission, or CFTC, the SEC and other regulators to promulgate rules and regulations implementing the new legislation. The final rules adopted under Dodd-Frank identify the types of products and the classes of market participants subject to regulation and will require us in connection with certain derivatives activities to comply with clearing and trade-execution requirements (or take steps to qualify for an exemption from such requirements). In addition, new regulations may require us to comply with margin requirements, although these regulations are not finalized and their application to us is uncertain at this time. Other regulations also remain to be finalized, and the CFTC recently has delayed the compliance dates for various regulations already finalized. As a result, it is not possible at this time to predict with certainty the full effects of Dodd-Frank and CFTC rules on us or the timing of such effects. Dodd-Frank may also require the counterparties to our derivative instruments to spin off some of their derivatives activities to separate entities, which may not be as creditworthy as the current counterparties. Dodd-Frank and associated regulations could significantly increase the cost of derivative contracts from additional recordkeeping and reporting requirements and through requirements to post collateral which could adversely affect our available liquidity. Dodd-Frank could also materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks that we encounter, reduce our ability to monetize or restructure our existing derivative contracts and increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of Dodd-Frank and associated regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Finally, Dodd-Frank was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of Dodd-Frank is to lower commodity prices. Any of these consequences could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

***Federal and state legislation and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays as well as restrict our access to our oil and gas reserves.***

Hydraulic fracturing is an essential and common practice that is used to stimulate production of oil and natural gas from dense subsurface rock formations such as shale and tight sands. We routinely apply hydraulic fracturing techniques in completing our wells. The process involves the injection of water, sand and additives under pressure into a targeted subsurface formation. The water and pressure create fractures in the rock formations, which are held open by the grains of sand, enabling the oil or natural gas to flow to the wellbore. The

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use of hydraulic fracturing is necessary to produce commercial quantities of oil and natural gas from many reservoirs including the Haynesville shale, Bossier shale, Eagle Ford shale, Tuscaloosa Marine shale, Cotton Valley and other tight natural gas and oil reservoirs. Substantially all of our proved oil and gas reserves that are currently not producing and our undeveloped acreage require hydraulic fracturing to be productive. All of the wells being drilled by us in 2014 utilize hydraulic fracturing in their completion. We estimate we will incur approximately $132.0 million for hydraulic fracturing services in connection with our 2014 drilling and completion program.

The use of hydraulic fracturing in our well completion activities could expose us to liability for negative environmental effects that might occur. Although we have not had any incidents related to hydraulic fracturing operations that we believe have caused any negative environmental effects, we have established operating procedures to respond and report any unexpected fluid discharge which might occur during our operations, including plans to remediate any spills that might occur. In the event that we were to suffer a loss related to hydraulic fracturing operations, our insurance coverage will be net of a deductible per occurrence and our ability to recover costs will be limited to a total aggregate policy limit of $26.0 million, which may or may not be sufficient to pay the full amount of our losses incurred.

Drilling and completion activities are typically regulated by state oil and natural gas commissions. Our drilling and completion activities are conducted primarily in Louisiana and Texas. Texas adopted a law in June 2012 requiring disclosure to the Railroad Commission of Texas and the public of certain information regarding the components used in the hydraulic-fracturing process. Several proposals are before the United States Congress that, if implemented, would subject the process of hydraulic fracturing to regulation under the Safe Drinking Water Act. At the direction of Congress, the EPA is currently conducting an extensive, multi-year study into the potential effects of hydraulic fracturing on underground sources of drinking water, and the results of that study have the potential to impact the likelihood or scope of future legislation or regulation.

***Potential changes to US federal tax regulations, if passed, could have an adverse effect on us.***

The United States Congress continues to consider imposing new taxes and repealing many tax incentives and deductions that are currently used by independent oil and gas producers. Such changes include, but are not limited to:

- the repeal of the percentage depletion allowance for oil and gas properties;
- the elimination of current deductions for intangible drilling and development costs;
- an elimination of the deduction for U.S. oil and gas production activities;
- an extension of the amortization period for certain geological and geophysical expenditures; and
- implementation of a fee on non-producing leases located on federal lands.

It is unclear, however, whether any such changes will be enacted or how soon such changes could be effective. The passage of any legislation containing these or similar changes in U.S. federal income tax law could eliminate or defer certain tax deductions that are currently available with respect to oil and gas exploration and development, and any

such changes could negatively affect our financial condition and results of operations. A reduction in operating cash flow could require us to reduce our drilling activities. Since none of these proposals have yet been included in new legislation, we do not know the ultimate impact they may have on our business.

***Our debt service requirements could adversely affect our operations and limit our growth.***

We had $949.1 million in debt as of March 31, 2014, and our ratio of total debt to total capitalization was approximately 50%.

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Our outstanding debt will have important consequences, including, without limitation:

- a portion of our cash flow from operations will be required to make debt service payments;
- our ability to borrow additional amounts for capital expenditures (including acquisitions) or other purposes will be limited; and
- our debt could limit our ability to capitalize on significant business opportunities, our flexibility in planning for or reacting to changes in market conditions and our ability to withstand competitive pressures and economic downturns.

In addition, future acquisition or development activities may require us to alter our capitalization significantly. These changes in capitalization may significantly increase our debt. Moreover, our ability to meet our debt service obligations and to reduce our total debt will be dependent upon our future performance, which will be subject to general economic conditions and financial, business and other factors affecting our operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our indebtedness and to meet other commitments, we will be required to adopt one or more alternatives, such as refinancing or restructuring our indebtedness, selling material assets or seeking to raise additional debt or equity capital. We cannot assure you that any of these actions could be effected on a timely basis or on satisfactory terms or that these actions would enable us to continue to satisfy our capital requirements.

Our bank credit facility contains a number of significant covenants. These covenants will limit our ability to, among other things:

- borrow additional money;
- merge, consolidate or dispose of assets;
- make certain types of investments;
- enter into transactions with our affiliates; and
- pay dividends.

Our failure to comply with any of these covenants could cause a default under our bank credit facility and the respective indentures governing our senior notes. A default, if not waived, could result in acceleration of our indebtedness, in which case the debt would become immediately due and payable. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance it given the current status of the credit markets. Even if new financing is available, it may not be on terms that are acceptable to us. Complying with these covenants may cause us to take actions that we otherwise would not take or not take actions that we otherwise would take.

***Substantial exploration and development activities could require significant outside capital, which could dilute the value of our common shares and restrict our activities. Also, we may not be able to obtain needed capital or financing on satisfactory terms, which could lead to a limitation of our future business opportunities and a decline in our oil and natural gas reserves.***

We expect to expend substantial capital in the acquisition of, exploration for and development of oil and natural gas reserves. In order to finance these activities, we may need to alter or increase our capitalization substantially through the issuance of debt or equity securities, the sale of non-strategic assets or other means. The issuance of additional equity securities could have a dilutive effect on the value of our common shares, and may not be possible on terms acceptable to us given the current volatility in the financial markets. The issuance of

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additional debt would require that a portion of our cash flow from operations be used for the payment of interest on our debt, thereby reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions, dividends and general corporate requirements, which could place us at a competitive disadvantage relative to other competitors. Additionally, if our revenues decrease as a result of lower oil or natural gas prices, operating difficulties or declines in reserves, our ability to obtain the capital necessary to undertake or complete future exploration and development programs and to pursue other opportunities may be limited, which could result in a curtailment of our operations relating to exploration and development of our prospects, which in turn could result in a decline in our oil and natural gas reserves.

***We depend on our key personnel and the loss of any of these individuals could have a material adverse effect on our operations.***

We believe that the success of our business strategy and our ability to operate profitably depend on the continued employment of M. Jay Allison, Chief Executive Officer, and Roland O. Burns, our President and Chief Financial Officer, and a limited number of other senior management personnel. Loss of the services of Mr. Allison, Mr. Burns or any of those other individuals could have a material adverse effect on our operations.

***Our insurance coverage may not be sufficient or may not be available to cover some liabilities or losses that we may incur.***

If we suffer a significant accident or other loss, our insurance coverage will be net of our deductibles and may not be sufficient to pay the full current market value or current replacement value of our lost investment, which could result in a material adverse impact on our operations and financial condition. Our insurance does not protect us against all operational risks. We do not carry business interruption insurance. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. Because third party drilling contractors are used to drill our wells, we may not realize the full benefit of workers compensation laws in dealing with their employees. In addition, some risks, including pollution and environmental risks, generally are not fully insurable.

***Provisions of our articles of incorporation, bylaws and Nevada law will make it more difficult to effect a change in control of us, which could adversely affect the price of our common stock.***

Nevada corporate law and our articles of incorporation and bylaws contain provisions that could delay, defer or prevent a change in control of us. These provisions include:

- allowing for authorized but unissued shares of common and preferred stock;
- a classified board of directors;
- requiring special stockholder meetings to be called only by our chairman of the board, our chief executive officer, a majority of the board or the holders of at least 10% of our outstanding stock entitled to vote at a special meeting;

requiring removal of directors by a supermajority stockholder vote;

prohibiting cumulative voting in the election of directors; and

Nevada control share laws that may limit voting rights in shares representing a controlling interest in us. These provisions could make an acquisition of us by means of a tender offer or proxy contest or removal of our incumbent directors more difficult. As a result, these provisions could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders, which may limit the price that investors are willing to pay in the future for shares of our common stock.

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## USE OF PROCEEDS

The net proceeds from this offering, after deducting underwriting discounts and estimated expenses of the offering, will be approximately $103.0 million. We intend to use the net proceeds from this offering to repay amounts borrowed under our bank credit facility. Funds repaid on our bank credit facility may be reborrowed for general corporate purposes.

On May 8, 2014, our lenders approved a new borrowing base under our bank credit facility of $700.0 million to be effective on the earlier to occur of completion of this offering or May 14, 2014. After giving effect to this offering, our borrowing base will be $682.0 million. As of May 9, 2014, the total outstanding principal balance under our bank credit facility was $375.0 million at a weighted average interest rate of 2.2%. Our bank credit facility matures on November 22, 2018. Borrowings under our bank credit facility during 2013 were primarily used to fund our acreage acquisitions and our development and exploration expenditures.

Substantially all of the underwriters or their affiliates are lenders under our bank credit facility and, accordingly, will receive a portion of the net proceeds from this offering through repayment of the borrowings they have extended under our bank credit facility. See Underwriting.

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## CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and our consolidated capitalization as of March 31, 2014:

- on a historical basis; and
- on an as adjusted basis to reflect this notes offering and the application of the estimated net proceeds therefrom as described under Use of Proceeds.

This information should be read in conjunction with the consolidated financial statements and our Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, incorporated by reference herein.

| | As of March 31, 2014 | |
|---|---|---|
| | Historical | As Adjusted for the Offering |
| | *(In thousands)* | |
| **Cash and cash equivalents** | $ 1,771 | $ 1,771 |
| **Total long-term debt:** | | |
| Revolving Bank Credit Facility (1) | $ 360,000 | $ 257,000 |
| 7 ¾% Senior Notes due 2019 (2) | 300,000 | 400,000 |
| 9 ½% Senior Notes due 2020 (3) | 289,140 | 289,140 |
| Total long-term debt | 949,140 | 946,140 |
| **Stockholders Equity:** | | |
| Common stock | 23,919 | 23,919 |
| Additional paid-in capital | 479,553 | 479,553 |
| Retained earnings | 442,534 | 442,534 |
| Total stockholders equity | 946,006 | 946,006 |
| Total capitalization | $ 1,895,146 | $ 1,892,146 |

(1) As of May 9, 2014, the total outstanding principal balance under our bank credit facility was $375.0 million.
(2) Reflects the issuance of $100.0 million of principal amount of the new notes.
(3) The 9 ½% Senior Notes due 2020 are net of original issue discount. The principal amount of the 9 ½% Senior Notes due 2020 is $300.0 million.

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## RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges on a consolidated basis for the periods shown. You should read these ratios in connection with our consolidated financial statements, including the notes to those statements.

| | Years Ended December 31, | | | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 | 2014 |
| Ratio of earnings to fixed charges | | | | | | | |
| Coverage deficiency (in millions) | $ (53.9) | $ (37.4) | $ (61.2) | $ (165.1) | $ (165.6) | $ (37.7) | $ (0.4) |

The ratios were computed by dividing earnings by fixed charges. Earnings consist of income from continuing operations before income taxes, interest expense, and that portion of non-capitalized rental expense deemed to be the equivalent of interest, while fixed charges consist of interest expense, capitalized interest expense, preferred stock dividends, and that portion of non-capitalized rental expense deemed to be the equivalent of interest. Earnings were inadequate to cover fixed charges for all periods presented.

## DESCRIPTION OF OTHER INDEBTEDNESS

### Credit Facility

On May 8, 2014, our lenders approved a new borrowing base under our bank credit facility of $700.0 million to be effective on the earlier to occur of this offering or May 14, 2014. After giving effect to this offering, our borrowing base will be $682.0 million. As of May 9, 2014, the total outstanding principal balance under our bank credit facility was $375.0 million at a weighted average interest rate of 2.2%. Our bank credit facility matures on November 22, 2018.

Indebtedness under our bank credit facility is secured by substantially all of our and our subsidiaries assets. It is subject to borrowing base availability, which is redetermined semiannually based on estimates of the future net cash flows of our oil and natural gas properties. The borrowing base is affected by the performance of our properties and changes in oil and natural gas prices. The determination of the borrowing base is at the sole discretion of the administrative agent and the bank group. Borrowings under the bank credit facility bear interest, based on the utilization of the borrowing base, at our option at either (1) LIBOR plus 1.5% to 2.5% or (2) the base rate (which is the higher of the administrative agent s prime rate, the federal funds rate plus 0.5% or 30 day LIBOR plus 1.0%) plus 0.5% to 1.5%. A commitment fee of 0.375% to 0.5%, based on the utilization of the borrowing base, is payable annually on the unused borrowing base. The bank credit facility contains covenants that, among other things, restrict the payment of cash dividends and repurchases of common stock in excess of $120.0 million per year, limit the amount of consolidated debt that we may incur and limit our ability to make certain loans and investments. The only financial covenants are the maintenance of a leverage ratio and the maintenance of an interest coverage ratio.

### 7 ¾% Senior Notes due 2019

On March 14, 2011, we completed a public offering of $300 million aggregate principal amount of 7 ¾% Senior Notes due 2019, which are guaranteed by each of our subsidiaries that guarantees indebtedness under our bank credit facility. The new notes will be issued under the same indenture as the original notes and will be treated as a single series with the original notes for all purposes under the indenture, including waivers, amendments, redemptions, and offers to purchase. The new notes will trade interchangeably with the original notes immediately upon settlement.

### 9 ½% Senior Notes due 2020

On June 5, 2012, we completed a public offering of $300 million aggregate principal amount of 9 ½% Senior Notes due 2020, which are guaranteed by each of our subsidiaries that guarantees indebtedness under our bank credit facility. The 2020 Notes and the guarantees are our general unsecured obligations and rank equal in right of payment with all of our other existing and future senior unsecured indebtedness that is not by its terms subordinated to the 2020 Notes, including the original notes and the new notes. The 2020 Notes mature on June 15, 2020, and interest is payable on each June 15 and December 15. We may, at our option, redeem some or all of the notes at any time on or after June 15, 2016 at fixed redemption prices. In addition, prior to June 15, 2015, we may, at our option, redeem up to 35% of the 2020 Notes with the cash proceeds of certain equity offerings. The 2020 Notes provide for certain covenants, which are substantially similar to those relating to the notes offered hereby. The violation of any of these covenants could give rise to a default, which if not cured could give the holder of the 2020 Notes a right to accelerate payment. If we experience a change of control, we must offer to purchase the 2020 Notes at 101% of the aggregate principal amount, plus accrued interest, if any, to the date of purchase.

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## DESCRIPTION OF THE NOTES

The notes offered hereby (the new notes ) will be issued pursuant to an Indenture dated as of October 9, 2009, as supplemented by the Third Supplemental Indenture dated March 14, 2011 (the Indenture ) by and among Comstock, as issuer, the Subsidiary Guarantors and The Bank of New York Mellon Trust Company, N.A., as trustee (the Trustee ). The terms of the notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939. The Indenture is unlimited in aggregate principal amount, although the issuance of notes in this offering will be limited to $100.0 million.

On March 14, 2011, the Company issued $300.0 million in aggregate principal amount of notes (the original notes ) under the Indenture. The $100.0 million of new notes will have identical terms, other than the issue date, and will constitute part of the same series as the original notes. Unless the context indicates otherwise, references in this description to the notes include both the original notes and the new notes.

This Description of the Notes, together with the Description of Debt Securities included in the accompanying base prospectus, is intended to be a useful overview of the material provisions of the notes and the Indenture. Since this Description of the Notes and such Description of Debt Securities are only summaries, you should refer to the Indenture for a complete description of the obligations of the Company and your rights. This Description of the Notes supersedes the Description of Debt Securities in the accompanying base prospectus to the extent it is inconsistent with such Description of Debt Securities.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture. In this section, the words Comstock, we, the Company, us, or our refer only to Coms Resources, Inc. and not to any of its subsidiaries.

### General

$100.0 million in aggregate principal amount of the notes will be issued on the closing date of this offering. Subject to compliance with the covenant described in Certain Covenants Limitation on Indebtedness and Disqualified Capital Stock, we may issue an unlimited amount of additional debt securities under the Indenture from time to time after this offering. We may create and issue additional debt securities with the same terms as the notes so that such additional debt securities would form a single series with the notes, and would be treated as such for all purposes of the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The notes will mature on April 1, 2019. The notes will bear interest at 7.75% from April 1, 2014, or from the most recent interest payment date to which interest has been paid, payable semi-annually in cash on April 1 and October 1 of each year, with the next payment due on October 1, 2014, to the Persons in whose name the notes are registered in the note register at the close of business on March 15 or September 15 next preceding such interest payment date. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, premium, if any, and interest on the notes will be payable at the office or agency of Comstock in New York City maintained for such purpose, and the notes may be surrendered for transfer or exchange at the corporate trust office of the Trustee. In addition, in the event the notes do not remain in book-entry form, interest may be paid, at the option of Comstock, by check mailed to the Holders of the notes at their respective addresses as shown on the note register, subject to the right of any Holder of notes in the principal amount of $500,000 or more to request payment by wire transfer. No service charge will be made for any transfer, exchange or redemption of the notes, but Comstock may require payment of a sum sufficient to cover any tax or other governmental charge that may be payable in connection therewith. The notes will be issued only in registered form, without coupons, in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The obligations of Comstock under the notes will be jointly and severally guaranteed by the Subsidiary Guarantors. See Subsidiary Guarantees of Notes.

## Redemption

### *Optional Redemption*

The notes will be redeemable at our option, in whole or in part, at any time on or after April 1, 2015, upon not less than 30 or more than 60 days notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, to the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the date of redemption), if redeemed during the 12-month period beginning on April 1 of the years indicated below:

| Year | Redemption Price |
|---|---|
| 2015 | 103.875% |
| 2016 | 101.938% |
| 2017 and thereafter | 100.000% |

In the event that less than all of the notes are to be redeemed, the particular notes to be redeemed shall be selected not less than 30 nor more than 60 days prior to the date of redemption by the Trustee, from the outstanding notes not previously called for redemption, pro rata, by lot or by any other method the Trustee shall deem fair and appropriate (or in the case of notes in global form, the Trustee will select the notes for redemption based on DTC s method that most nearly approximates a pro rata selection), although no note of $2,000 or less will be redeemed in part.

### *Offers to Purchase*

As described below, (i) upon the occurrence of a Change of Control, we will be obligated to make an offer to purchase all of the notes at a purchase price equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase and (ii) upon certain sales or other dispositions of assets, Comstock may be obligated to make offers to purchase the notes with a portion of the Net Available Cash of such sales or other dispositions at a purchase price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase. See Certain Covenants Change of Control and Limitation on Asset Sales.

## Sinking Fund

There will be no sinking fund payments for the notes.

## Ranking

The Indebtedness evidenced by the notes and the Subsidiary Guarantees will be unsecured and will rank pari passu in right of payment with all Senior Indebtedness of Comstock and the Subsidiary Guarantors, as the case may be, and senior in right of payment to all subordinated Indebtedness of Comstock and the Subsidiary Guarantors, as the case may be. The notes, however, will be effectively subordinated to secured Indebtedness of Comstock and its Subsidiaries to the extent of the value of the assets securing such Indebtedness, including Indebtedness under the Bank Credit Agreement, which is secured by a lien on substantially all of the assets of Comstock (including assets of the Subsidiary Guarantors).

As of March 31, 2014, on an as adjusted basis as described under Capitalization, Comstock and its Restricted Subsidiaries would have had $946.1 million in principal amount of Senior Indebtedness outstanding, comprised of the

notes, the 9 ½% Senior Notes due 2020 and borrowings under the Bank Credit Agreement, with no Indebtedness contractually subordinated to the notes. Subject to certain limitations, Comstock and its Subsidiaries may incur additional Indebtedness in the future.

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A substantial portion of Comstock s operations is conducted through its Subsidiaries. Claims of creditors of such Subsidiaries that are not Subsidiary Guarantors, including trade creditors and creditors holding Indebtedness or guarantees issued by such Subsidiaries, and claims of preferred stockholders of such Subsidiaries will have priority with respect to the assets and earnings of such Subsidiaries over the claims of Comstock s creditors, including Holders of the notes. Accordingly, the notes will be effectively subordinated to creditors (including trade creditors) and preferred stockholders, if any, of Comstock s Subsidiaries that are not Subsidiary Guarantors.

Although the Indenture limits the incurrence of Indebtedness and Disqualified Capital Stock of the Restricted Subsidiaries and the issuance or sale of Preferred Stock of the Restricted Subsidiaries, such limitations are subject to a number of significant qualifications. In addition, the Indenture does not impose any limitations on the incurrence by the Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Capital Stock or Preferred Stock under the Indenture. Please read Certain Covenants Limitation on Indebtedness and Disqualified Capital Stock and Limitation on Liens. Moreover, the Indenture does not impose any limitation on the incurrence by any Unrestricted Subsidiary of Indebtedness or Disqualified Capital Stock, or the issuance or sale of Preferred Stock of any Unrestricted Subsidiary.

**Subsidiary Guarantees of Notes**

Each Subsidiary Guarantor will unconditionally guarantee, jointly and severally, to each Holder and the Trustee, the full and prompt performance of Comstock s obligations under the Indenture and the notes, including the payment of principal of, premium, if any, and interest on the notes pursuant to its Subsidiary Guarantee. The initial Subsidiary Guarantors are currently all of Comstock s operating subsidiaries. In addition to the initial Subsidiary Guarantors, Comstock is obligated under the Indenture to cause each Restricted Subsidiary that guarantees the payment of, assumes or in any other manner becomes liable (whether directly or indirectly) with respect to any Indebtedness of Comstock or any other Subsidiary Guarantor, including, without limitation, Indebtedness under the Bank Credit Agreement, to execute and deliver a supplement to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the notes on the same terms and conditions as the Subsidiary Guarantees by the initial Subsidiary Guarantors. Please read Certain Covenants Future Subsidiary Guarantees.

The obligations of each Subsidiary Guarantor will be limited to the maximum amount as will result in the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee not constituting a fraudulent conveyance or fraudulent transfer under applicable law. Each Subsidiary Guarantor that makes a payment or distribution under a Subsidiary Guarantee shall be entitled to a contribution from each other Subsidiary Guarantor in a pro rata amount based on the Adjusted Net Assets of each Subsidiary Guarantor.

Each Subsidiary Guarantor may consolidate with or merge into or sell or otherwise dispose of all or substantially all of its properties and asset