Gastar Exploration Inc.
Form DEF 14A
April 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant	x	Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Under Rule 14a-12

Gastar Exploration Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

o Fee paid previously with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Gastar Exploration Inc.

1331 Lamar Street, Suite 650

Houston, Texas 77010

NOTICE OF THE 2016 ANNUAL MEETING OF STOCKHOLDERS

Tuesday, June 14, 2016

To our Stockholders:

The 2016 Annual Meeting of Stockholders (the "Annual Meeting") of Gastar Exploration Inc., a Delaware corporation (the "Company"), will be held on Tuesday, June 14, 2016, 10:00 a.m., central time, at the Four Seasons Hotel, 1300 Lamar Street, Houston, Texas 77010. At the Annual Meeting, stockholders will consider and vote on the following proposals:

1. To elect six (6) members to the Board of Directors to serve until our 2017 annual meeting of stockholders and their successors are elected and qualified;
2. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2016;
3. To approve on a non-binding advisory basis the compensation of our named executive officers;
4. To approve an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 275,000,000 to 550,000,000 shares; and
5. To transact any such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof.

Only holders of record of our common stock at the close of business on April 25, 2016, which is the record date for the Annual Meeting, are entitled to notice of and to attend the Annual Meeting or any adjournment or postponement thereof and to vote on the above listed matters at the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection starting on June 3, 2016 through June 13, 2016 during usual business hours at our offices at 1331 Lamar Street, Suite 650, Houston, Texas 77010, and will also be available for inspection at the Annual Meeting.

It is important that your shares of common stock are represented at the Annual Meeting, whether or not you plan to attend in person and regardless of the number of shares of common stock you own. If you are a stockholder whose shares of common stock are registered in your name, to ensure your shares of common stock are represented, we urge you to submit a proxy containing your voting instructions as soon as possible via the Internet per the instructions provided or by signing and dating the enclosed proxy card and returning it in the envelope provided for that purpose, in the manner described in the Proxy Statement accompanying this notice (the "Proxy Statement"). Even if you submit your proxy, you may still vote in person if you attend the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must obtain from the record holder a proxy issued in your name.

The specific details of the matters proposed to be dealt with at the Annual Meeting are set forth in the accompanying Proxy Statement.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON TUESDAY, JUNE 14, 2016.

The Notice of Annual Meeting of Stockholders, the Proxy Statement and the Annual Report to Stockholders for the year ended December 31, 2015 are available at http://www.proxyvote.com.

DATED this 26th day of April 2016.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ J. RUSSELL PORTER
J. Russell Porter

President and Chief Executive Officer

Gastar Exploration Inc.

1331 Lamar Street, Suite 650

Houston, Texas 77010

PROXY STATEMENT FOR THE

2016 ANNUAL MEETING OF STOCKHOLDERS

Tuesday, June 14, 2016

This Proxy Statement (the "Proxy Statement") contains information about the 2016 Annual Meeting of Stockholders (the "Annual Meeting") of Gastar Exploration Inc. ("Gastar," the "Company," "we," "us" or "our"). The Annual Meeting will l held on Tuesday, June 14, 2016, 10:00 a.m., central time, at the Four Seasons Hotel, 1300 Lamar Street, Houston, Texas 77010.

This Proxy Statement is being furnished to you in connection with the solicitation by our board of directors (the "Board") of proxies to be voted on at the Annual Meeting. As a stockholder, your vote is very important, and the Board strongly encourages you to exercise your right to vote whether or not you plan to attend the Annual Meeting in person. Shares of common stock cannot be voted at the Annual Meeting unless the owner is present to vote or is represented by proxy. All proxies will be voted in accordance with the instructions they contain.

The matters to be acted on at the Annual Meeting are set forth below and in the accompanying Notice and are explained in more detail elsewhere in this Proxy Statement. Additionally, we will report on our business and financial performance for the year ended December 31, 2015, including our audited consolidated financial statements and the auditor's report for the year ended December 31, 2015, and other information concerning us that can be found in our Annual Report on Form 10-K for the year ended December 31, 2015, a copy of which is included in our 2015 Annual Report to Stockholders (the "2015 Annual Report"). The 2015 Annual Report does not constitute a part of our proxy solicitation materials.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE

ANNUAL MEETING TO BE HELD ON TUESDAY, JUNE 14, 2016.

In accordance with rules promulgated by the Securities and Exchange Commission (the "SEC") and in connection with the solicitation of proxies by the Board for the Annual Meeting, we have made our proxy materials available to you free of charge on the Internet in addition to delivering paper versions of these materials to you by mail (including the Notice, this Proxy Statement, the 2015 Annual Report and a form of proxy). Beginning on or about May 5, 2016, these proxy materials are being mailed to our stockholders and are available on the Internet at http://www.proxyvote.com.

TABLE OF CONTENTS

Gastar Exploration Inc.

1331 Lamar Street, Suite 650

Houston, Texas 77010

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS,

THE ANNUAL MEETING AND VOTING

Why am I receiving these proxy materials?

The Board is soliciting your proxy to vote at the Annual Meeting because you owned shares of common stock at the close of business on April 25, 2016, the record date for the Annual Meeting (the "Record Date"), and are therefore entitled to vote at the Annual Meeting. This Proxy Statement, along with a proxy card, is being mailed to stockholders on or about May 5, 2016. We have also made these materials available to you free of charge on the Internet. This Proxy Statement summarizes the information that you need to know in order to cast your vote at the Annual Meeting. As a stockholder, your vote is very important and the Board strongly encourages you to exercise your right to vote. You do not need to attend the Annual Meeting in person to vote your shares of common stock, and we encourage you to vote even if you are unable to attend the Annual Meeting. If you are unable to attend the Annual Meeting in person, you may vote by Internet or by signing and returning the attached proxy card in the envelope provided. See "How do I vote my common shares?" below.

When and where will the Annual Meeting be held?

The Annual Meeting will be held on Tuesday, June 14, 2016, 10:00 a.m., central time, at the Four Seasons Hotel, 1300 Lamar Street, Houston, Texas 77010.

Who is soliciting my proxy?

The Board is soliciting your proxy to vote on all matters scheduled to come before the Annual Meeting, whether or not you attend in person. By completing and returning the proxy card or by casting your vote via the Internet, you are authorizing the proxy holders to vote your shares at the Annual Meeting, as you have instructed.

On what matters will I be voting?

At the Annual Meeting, our stockholders will be asked:

1. To elect six (6) members to the Board to serve until our 2017 annual meeting of stockholders and their successors are elected and qualified;
2. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2016;
3. To approve on a non-binding advisory basis the compensation of our named executive officers;
4. To approve an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 275,000,000 to 550,000,000 shares; and
5. To transact any such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof.

A proxy that is properly completed and returned will be voted at the Annual Meeting in accordance with the instructions on the proxy. If you properly complete and return a proxy, but do not indicate any contrary voting instructions, your shares will be voted in accordance with the Board's recommendations, which are listed below. If any other business properly comes before the stockholders for a vote at the Annual Meeting, your shares will be voted at the discretion of the holders of the proxy. Such persons intend to vote on any such other matter in accordance with their best judgment. We do not expect any matters to be presented for action at the Annual Meeting other than the items outlined above.

In addition, our executive management will report on our business and financial performance during fiscal year 2015 and respond to your questions.

How does the Board recommend that I cast my vote?

The Board unanimously recommends that you vote:

- FOR the election to the Board of each of the six (6) nominees for director;
- FOR the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2016;
- FOR the approval on an advisory basis of the compensation of our named executive officers; and
- FOR the approval of an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 275,000,000 shares to 550,000,000 shares.

How many votes may I cast?

Each share of common stock that you own on the Record Date entitles you to cast one vote on each matter that is properly brought before the Annual Meeting.

How many votes can be cast by all stockholders?

As of the Record Date, there were 81,712,300 shares of common stock outstanding and entitled to vote at the Annual Meeting.

Is my vote important?

Your vote is important regardless of how many shares of common stock that you own. Please take the time to vote. Please read the instructions below, choose the way to vote that is easiest and most convenient for you and cast your vote as soon as possible.

Can I vote if my shares are held in “street name”?

If your shares of common stock are held through a broker, bank or other nominee, you are considered the beneficial owner of the shares of common stock held in “street name.” As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote your shares of common stock and are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares. In order to vote your shares of common stock, you will need to follow the directions your broker, bank or other nominee provides you.

What are broker non-votes and abstentions?

If you hold your shares in “street name,” you will receive instructions from your broker, bank or other nominee describing how to vote your shares. If you do not instruct your broker, bank or other nominee how to vote your shares, they may vote your shares as they decide as to each matter for which they have discretionary authority under the rules of the NYSE MKT LLC (“NYSE MKT”).

There are also non-discretionary matters for which brokers, banks and other nominees do not have discretionary authority to vote unless they receive timely instructions from you. When a broker, bank or other nominee does not have discretion to vote on a particular matter and you have not given timely instructions on how the broker, bank or other nominee should vote your shares, a “broker non-vote” results. Although any broker non-vote would be counted as present at the meeting for purposes of determining a quorum, it would be treated as not entitled to vote with respect to non-discretionary matters.

If your shares are held in "street name" and you do not give voting instructions, pursuant to NYSE MKT Company Guide Section 723, the record holder will not be permitted to vote your shares with respect to the election of director nominees and the advisory vote to approve named executive officer compensation, and your shares will be considered "broker non-votes" with respect to this proposal. If your shares are held in "street name" and you do not give voting instructions, the record holder will nevertheless be entitled to vote your shares with respect to ratification of the appointment of BDO USA, LLP and the amendment to our Amended and Restated Certificate of Incorporation in the discretion of the record holder.

Abstentions occur when stockholders are present at the Annual Meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the stockholders are voting.

How many shares of common stock must be present to hold the Annual Meeting?

A quorum of stockholders is necessary for a valid Annual Meeting. The required quorum for the transaction of business at the Annual Meeting is the presence, either in person or by proxy, of holders of not less than one-third (33 1/3%) of the total outstanding shares of common stock entitled to vote at the Annual Meeting. Abstentions and broker non-votes will be counted for the purpose of determining the presence of a quorum.

What vote is required to elect the directors and to approve each of the proposals discussed in this Proxy Statement?

Proposal	Vote Required
To elect six (6) members to the Board to serve until our annual meeting in 2017 or until their successors are qualified and elected.	A plurality of the votes cast in person or by proxy.
To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2016.	A majority of the votes cast in person or by proxy.
To approve on a non-binding advisory basis the compensation of our named executive officers.	A majority of the votes cast in person or by proxy.
To approve an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 275,000,000 shares to 550,000,000 shares.	A majority of the outstanding stock entitled to vote.

As noted above, except with respect to ratification of the appointment of BDO USA, LLP and the amendment to the Amended and Restated Certificate of Incorporation, shares represented by broker non-votes are not considered votes cast. With respect to the election of directors, votes may be cast in favor of or withheld from the election of each nominee. A nominee will be elected to the Board if such nominee receives the highest number of votes cast in favor of a particular position on the Board. Accordingly, votes that are withheld from a director's election will count toward a quorum but will not affect the outcome of the vote on the election of a director. Also, broker non-votes will not be counted as votes cast and will not affect the outcome of the vote on the election of a director. With respect to the approval of the compensation of named executive officers, for which the affirmative vote of the holders of a majority of the votes cast in person or by proxy is required, abstentions and broker non-votes will not be counted as votes cast and therefore will not affect the outcome of the vote. With respect to the ratification of the appointment of BDO USA, LLP, abstentions are not considered to be votes cast and therefore will not affect the outcome of the vote. With respect to the approval of the amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock, abstentions will have the same effect as a vote against the proposal. While we do not expect broker non-votes on this proposal because brokers have discretion to vote on it under NYSE MKT rules, any broker non-votes will have the same effect as a vote against the proposal.

While the advisory vote on named executive officer compensation is required by law, the outcome will not be binding on Gastar or the Board, nor will it create or imply any change in the fiduciary duties of, or impose any additional fiduciary duty on, our company or the Board. However, the Compensation Committee will take into account the outcome of the advisory vote on executive compensation when considering future executive compensation decisions.

How do I vote my shares of common stock?

Stockholders of Record. Stockholders of record may vote their shares or submit a proxy to have their shares voted by one of the following methods:

- To Vote by Mail. You may vote by completing and signing the proxy card that accompanies this Proxy Statement and promptly mailing it in the enclosed envelope. The shares of common stock that you own will be voted according to the instructions on the proxy card that you provide. If you return the proxy card but do not give any instructions on a particular matter described in this Proxy Statement, the shares of common stock that you own will be voted in accordance with the recommendations of the Board. In order to be valid and acted upon at the Annual Meeting, your proxy card must be received by our registrar and transfer agent, American Stock Transfer & Trust Company, Attention: Proxy Department, 6201 15th Avenue, Brooklyn, New York 11219, at least 24 hours before the time of the Annual Meeting or any adjournment thereof, excluding weekends and holidays.

- To Vote by Internet. You may vote online by going to the following Internet address: http://www.proxyvote.com. Please have your proxy card available and follow the instructions to obtain your records and create an electronic ballot. You may use the Internet to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. Eastern Time on June 13, 2016.
- To Vote by Telephone. You may vote by phone by using a touch-tone telephone and calling the following toll free number: 1-800-690-6903. Please have your proxy card available and follow the instructions to vote. You may use the phone to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. Eastern Time on June 13, 2016.
- To Vote in Person. If you attend the Annual Meeting, you may vote by delivering your completed proxy card in person or by completing a ballot, which will be available at the Annual Meeting. Attending the Annual Meeting without delivering your completed proxy card or completing a ballot will not count as a vote. Submitting a proxy via mail or by Internet will not prevent you from attending the Annual Meeting and voting in person.

Street Name Stockholders. Street name stockholders may generally vote their shares or submit a proxy to have their shares voted by one of the following methods:

- By Mail. You may indicate your vote by completing, signing and dating your voting instruction card or other information forwarded by your broker, bank or other nominee and returning it to such party in the manner specified in such materials.
- By Methods Listed on Voting Instruction Form. Please refer to your voting instruction form or other information forwarded by your broker, bank or other nominee to determine whether you may submit a proxy by telephone or electronically on the Internet, following the instructions on the voting instruction form or other information provided by the record holder.
- In Person with a Proxy from the Record Holder. You may vote in person at our Annual Meeting if you obtain a legal proxy from your broker, bank or other nominee. Please consult the voting instruction form or other information sent to you by the record holder to determine how to obtain a legal proxy in order to vote in person at our Annual Meeting.

Can I change my vote after I have mailed my proxy card?

Yes, if you are a stockholder of record, you can revoke your proxy at any time before it is exercised by:

- submitting written notice to that effect or a new proxy to our Corporate Secretary at our registered office at any time up to and including the last business day preceding the day of the Annual Meeting;
- submitting written notice to that effect or a new proxy to the chairperson of the Annual Meeting at the Annual Meeting at any time before the polls close at the Annual Meeting;
- voting again through the Internet prior to 11:59 p.m. Eastern Time on June 13, 2016;
- voting in person at the Annual Meeting; and
- in any other manner permitted by law.

If you are a street name stockholder and you vote by proxy, you may change your vote by submitting new voting instructions to your broker, bank or other nominee in accordance with such entity's procedures. In either case, your attendance at the Annual Meeting alone will not revoke your proxy.

Will any other business be conducted at the Annual Meeting or will other matters be voted on?

We do not expect any matters to be presented for action at the Annual Meeting other than the items discussed in this Proxy Statement. If any other matter properly comes before the Annual Meeting, the persons named in the proxy card, whether you submit your proxy in person, over the Internet or by mail, will exercise their judgment in deciding how to vote, or otherwise act, at the Annual Meeting with respect to that matter or proposal.

May I propose actions for consideration at next year’s annual meeting or nominate individuals to serve as directors?

You may submit proposals for consideration at future annual meetings. See “Proposals for 2017 Annual Meeting of Stockholders” for information regarding the submission of stockholder proposals at next year’s annual meeting.

4

Where can I find the voting results?

We will report the voting results in a Current Report on Form 8-K with the SEC within four business days of the Annual Meeting.

Who bears the costs of soliciting these proxies?

We will bear the entire cost of the solicitation of proxies, including preparation, assembly, printing and mailing of this Proxy Statement, the proxy card and the other proxy materials furnished to stockholders. In addition to this solicitation by mail, certain directors, officers and employees may also solicit proxies on our behalf by use of mail, telephone, facsimile, electronic means, in person or otherwise. These persons will not receive any additional compensation for assisting in the solicitation but may be reimbursed for reasonable out-of-pocket expenses in connection with the solicitation. We will furnish copies of solicitation materials to banks, brokerage houses, fiduciaries and custodians holding in their names common shares beneficially owned by others to forward to such beneficial owners. We will reimburse banks and brokers for their reasonable out-of-pocket expenses incurred in connection with the distribution of our proxy materials.

How do I get directions to the Annual Meeting?

For directions to the Annual Meeting, please contact our Corporate Secretary at (713) 739-1800.

INFORMATION ABOUT DIRECTORS, DIRECTOR NOMINEES,

EXECUTIVE OFFICERS AND MEMBERS OF MANAGEMENT

The Board currently is composed of six (6) members: Jerry R. Schuyler (Chairman), John H. Cassels, Randolph C. Coley, Stephen A. Holditch, Robert D. Penner and J. Russell Porter.

The Nominating & Governance Committee has recommended to the Board, and the Board has nominated Messrs. Schuyler, Cassels, Coley, Holditch, Penner and Porter for re-election at the Annual Meeting. Information about each director nominee can be found beginning on page 35 in connection with "Proposal 1. Election of the Board." Although the Board does not contemplate that any of the director nominees will refuse or be unable to serve, if such a situation arises prior to the Annual Meeting, the persons named in the accompanying proxy will vote for the election of such other person(s) as may be nominated by the Board or the Board may reduce the size of the Board.

Biographical information about our executive officers and other members of our management as of April 1, 2016 is set forth below other than our Chief Executive Officer, who also serves as director.

Name	Age	Position
J. Russell Porter(1)(2)	54	President and Chief Executive Officer
Michael A. Gerlich(1)	61	Senior Vice President, Chief Financial Officer and Corporate Secretary
Keith R. Blair	61	Vice President and Exploration Manager
Henry J. Hansen	60	Vice President – Land

(1) Messrs. Porter and Gerlich are currently our only "Executive Officers" as such term is defined by the rules promulgated by the SEC.

(2) For a description of the business background and other information concerning Mr. Porter, see page 35 in connection with "Proposal 1. Election of the Board."

Michael A. Gerlich joined us in May 2005 as Vice President and Chief Financial Officer and was appointed Corporate Secretary on March 8, 2011 and was promoted to Senior Vice President in June 2013. Mr. Gerlich has over 36 years of oil and natural gas accounting and finance experience. From 1999 until joining us in 2005, he held various accounting and finance positions at Calpine Natural Gas LP, a wholly-owned subsidiary of Calpine Corporation, an independent electric power generation company listed on the New York Stock Exchange. His last position at Calpine Natural Gas LP was Senior Vice President – Accounting and Finance for natural gas and oil operations of the wholly-owned subsidiary. From 1994 until 1999, Mr. Gerlich served as Vice President and Chief Financial Officer of Sheridan Energy, Inc., an independent natural gas and oil exploration company traded on the NASDAQ, which was acquired in 1999 by Calpine Corporation. Over a 12-year period prior to joining Sheridan Energy, Inc., Mr. Gerlich held various accounting and finance positions with Trinity Resources, Ltd., an independent natural gas and oil exploration and production company, with his last position being Executive Vice President and Chief Financial Officer. Prior to that, Mr. Gerlich was also with the auditing firm of Deloitte LLP, where the focus of his practice was with energy related clients. Mr. Gerlich served as a member of the board of directors and as the Audit Committee Chairman for Petropoint Energy Partners LP ("Petropoint"), a private upstream oil and gas limited partnership, from November 2012 until Petropoint's property sale and dissolution in August 2014. Mr. Gerlich is a Certified Public Accountant and graduated with honors from Texas A&M University with a Bachelor of Business Administration degree in Accounting.

Keith R. Blair joined us in August 2005 as a Senior Staff Geologist and was promoted to Vice President and Exploration Manager in 2008. Mr. Blair has over 35 years of oil and natural gas experience. He has extensive working knowledge of oil and natural gas basins in Colorado, New Mexico, East Texas, West Virginia/Pennsylvania, Offshore

Gulf of Mexico and the Texas/Louisiana Gulf Coast. Prior to joining us, from 1999 until 2005, he was an independent exploration geologist. From 1995 until 1999, Mr. Blair was a Senior Geophysicist at Schlumberger Limited. Prior to 1995, he held an Exploration Manager/Supervisor position at ConocoPhillips for 14 years. He began his career as a well logging engineer with Halliburton Company. Mr. Blair graduated from Texas A&M University with a Bachelor of Science degree in Geology.

Henry J. Hansen joined us in September 2005 as Vice President of Land. Mr. Hansen has over 35 years of land management experience. Prior to joining us, Mr. Hansen was Rocky Mountain Land Manager with El Paso Corporation, an oil and natural gas exploration, production and pipeline company, from 1999 until January 2003. From January 2003 until June 2004, he worked as an independent land consultant. Mr. Hansen returned to El Paso Corporation in June 2004, where he was a senior landman until joining us in September 2005. Mr. Hansen graduated from the University of Texas at Austin with a Bachelor of Business Administration in Petroleum Management.

There are no family relationships between our Named Executive Officers, those members of management noted above and our directors.

CORPORATE GOVERNANCE

Information about the Board

The Board believes that good corporate governance improves corporate performance and benefits all stockholders. This section sets out our approach to corporate governance and addresses our compliance with NYSE MKT listing requirements.

Mandate of the Board

The Board is responsible for managing our business affairs. The primary responsibility of the Board is to promote our best interests and the best interests of our stockholders. This responsibility includes: (i) approving annual capital expenditure budgets and general and administrative expense budgets and reviewing fundamental operating, financial and other corporate plans, strategies and objectives; (ii) outlining key operating parameters including debt levels and ratios; (iii) evaluating our performance and the performance of our senior management; (iv) determining, evaluating and fixing the compensation of executive officers; (v) adopting policies of corporate governance and conduct; (vi) considering risk management matters; (vii) reviewing the process of providing appropriate financial and operational information to stockholders and the public generally; and (viii) evaluating the overall effectiveness of the Board. The Board explicitly acknowledges its responsibility for our stewardship. The Board reviews with management matters of strategic planning, business risk identification, succession planning, communications policy and integrity of internal control and management information systems. The Board fulfills its responsibilities through regular and special meetings.

Current Members of the Board and Director Independence

The Board currently is comprised of six (6) members. The Board has determined that each member of the Board, with the exception of Mr. Porter, does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and is independent within the meaning of the NYSE MKT listing requirements. Mr. Porter, as our President and Chief Executive Officer, is not considered to be independent. Further, the Board has determined that each of the members of the Audit Committee, the Compensation Committee, the Nominating & Governance Committee and the Reserves Review Committee does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and is independent within the meaning of the NYSE MKT listing requirements.

The following sets forth the current committee memberships of our six (6) directors:

Name	Audit Committee	Compensation Committee	Reserves Review Committee	Nominating & Governance Committee
J. Russell Porter, Director, President and Chief Executive Officer	—	—	—	—
John H. Cassels, Director	X	Chairman	X	—
Randolph C. Coley, Director	X	X	—	Chairman
Stephen A. Holditch, Director	—	—	Chairman	X
Robert D. Penner, Director	Chairman	—	—	X
Jerry R. Schuyler, Director	—	X	X	—

Board and Committee Meetings

The Board meets a minimum of four (4) times per year. In addition, the Board meets at such other times as may be required if it is not possible to deal with our business at a regularly scheduled quarterly meeting.

The Board facilitates its independent supervision over management in a number of ways, including by holding regular meetings at which members of management and non-independent directors are not in attendance and by retaining independent consultants where it deems necessary.

For the year ended December 31, 2015, Messrs. Porter, Cassels, Coley, Holditch, Penner, Schuyler and Selser attended 100% of all meetings held by the Board during the time in which they were a member of the Board. On November 16, 2015, Mr. Selser resigned from the Board and all committees to devote more time to other business interests.

The following table sets forth the number of Board and committee meetings held during 2015 and the attendance of each director during the time in which he was a member of the Board and of a committee:

Director	Board Meetings	Audit Committee	Compensation Committee	Reserves Review Committee	Nominating & Governance Committee
J. Russell Porter	9 of 9	n/a	n/a	n/a	n/a
John H. Cassels	9 of 9	4 of 4	6 of 6	n/a	n/a
Randolph C. Coley	9 of 9	4 of 4	n/a	n/a	2 of 2
Stephen A. Holditch	9 of 9	n/a	n/a	2 of 2	2 of 2
Robert D. Penner	9 of 9	4 of 4	n/a	n/a	2 of 2
Jerry R. Schuyler	9 of 9	n/a	6 of 6	2 of 2	n/a
John M. Selser Sr. (1)	8 of 8	n/a	6 of 6	2 of 2	n/a

(1) Mr. Selser resigned from the Board and all committees effective November 16, 2015.

Board Composition and Leadership Structure

Mr. Schuyler was appointed Chairman of the Board effective November 16, 2015. Our President and Chief Executive Officer, Mr. Porter, serves as a director.

The Board has determined that the offices of Chairman of the Board and Chief Executive Officer should be separated at this time. The Board determined that the separation of these roles would maximize management's efficiency and further our ongoing efforts to strengthen corporate governance and assure stockholder representation and the independent, objective and effective oversight of management. Separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while allowing the Chairman to lead the Board in its fundamental role of providing guidance to and oversight of management. The Corporate Governance Guidelines, however, provide that each year the Nominating & Governance Committee will review whether this policy is in the best interests of the Company and its stockholders. The Board specifically reserves the right to vest the responsibilities of Chairman of the Board and Chief Executive Officer in the same or different individuals.

Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on our properties, business, operations and industry and on the responsibilities of directors. Board meetings may also include presentations by our management and employees to give the directors additional insight into our business. New directors are provided with access to our publicly-filed documents, technical reports and internal financial information and copies of all of the minutes of Board and committee meetings and corporate governance materials are made available to director nominees. Directors are encouraged to ask questions and communicate with management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in legislation.

Nomination of Directors

The Board has delegated the responsibility of identifying new director candidates to the Nominating & Governance Committee. The process and responsibility of the Nominating & Governance Committee is set forth on page 12 under the heading "Nominating & Governance Committee."

Compensation

The Board has delegated the responsibility of determining compensation strategies and recommending the forms and amounts of compensation for directors, officers, consultants and employees to the Compensation Committee. Please refer to the disclosure on page 11 under the heading “Compensation Committee.”

Board Evaluations/Assessments

We have established procedures and surveys for assessing and evaluating the performance of the Board. The surveys completed by each director are summarized and discussed by the Board as a whole with the objective of making appropriate changes to the Board’s policies or procedures to ensure greater Board effectiveness.

Code of Conduct and Ethics

We adopted a Code of Conduct and Ethics for all directors, officers and other employees. A copy of our Code of Conduct and Ethics is available free of charge on our website at www.gastar.com. A copy of our Code of Conduct and Ethics will also be provided to any person without charge, upon request. Such requests should be directed to our Corporate Secretary at 1331 Lamar Street, Suite 650, Houston, Texas 77010.

Stockholder Communications with the Board

Stockholders or other interested parties may send communications to the Board, the Chairman of the Board, any committee of the Board or any other director in particular, by writing to our Corporate Secretary at 1331 Lamar Street, Suite 650, Houston, Texas 77010. Stockholders and any other interested parties should mark the envelope containing each communication as “Stockholder Communication with Directors” and clearly identify the intended recipient(s) of the communication. Our Corporate Secretary will review each communication received from stockholders and other interested parties and will forward the communication, as expeditiously as reasonably practicable, to the addressees if: (1) the communication complies with the requirements of any applicable policy adopted by the Board relating to the subject matter of the communication; and (2) the communication falls within the scope of matters generally considered by the Board. To the extent the subject matter of a communication relates to matters that have been delegated by the Board to a committee or to an executive officer of the Company, our Corporate Secretary may forward the communication to the executive officer or chairman of the committee to which the matter has been delegated.

Comments or complaints relating to our accounting, internal accounting controls or auditing matters will be referred to our Audit Committee. Our Audit Committee has procedures for (i) receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters; (ii) receipt, retention and treatment of complaints regarding potential violations of applicable laws, rules and regulations or of our codes, policies and procedures; and (iii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. These “whistleblower” policies and procedures adopted by the Audit Committee are available free of charge on our website at www.gastar.com.

Attendance at the Annual Meeting of Stockholders

Although all directors are encouraged to attend the annual meeting of stockholders, we do not have a formal policy with regards to director attendance. In 2015, all directors at the time the meeting was held attended our annual meeting of stockholders.

INFORMATION ABOUT OUR COMMITTEES OF THE BOARD

The Board has designated a standing Audit Committee, Compensation Committee, Reserves Review Committee and Nominating & Governance Committee. Each committee has a written charter that has been approved by the Board, which sets forth guidance on the role of the chairman of such committee and the roles and responsibilities of the committee as a whole. Our Board has also adopted a Code of Conduct and Ethics and other governance policies. Each such document is available free of charge on our website at www.gastar.com. A copy of each such document will be provided to any person without charge, upon request. Such requests should be directed to our Corporate Secretary at 1331 Lamar Street, Suite 650, Houston, Texas 77010.

Audit Committee

Composition

The Audit Committee currently consists of Messrs. Penner (Chairman), Cassels and Coley, each of whom the Board has determined to be independent under the rules of the NYSE MKT and Section 10A ("Audit Requirements") of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including the rules promulgated by the SEC thereunder. The Board has determined that each member of the Audit Committee is able to read and understand fundamental financial statements and that Mr. Penner is an "audit committee financial expert," within the meaning proscribed by the rules and regulations promulgated by the SEC. He became a member of the Board effective July 16, 2007. Mr. Penner is a retired senior partner with KPMG LLP, whose career of advising public and private clients on tax and accounting matters has spanned more than 41 years. The Audit Committee met four (4) times during 2015.

In accordance with its charter, the Audit Committee examines and reviews, on behalf of the Board, internal financial controls, financial and accounting policies and practices, the form and content of financial reports and statements and the work of the external auditors. The Audit Committee is responsible for hiring, overseeing and terminating the independent registered public accounting firm and determining the compensation of such accountants. The Chief Financial Officer attends the meetings of the Audit Committee by invitation.

Audit Committee Charter

The Audit Committee has performed its annual review and assessment of the Audit Committee charter. A copy of the charter for the Audit Committee is available free of charge on our website at www.gastar.com.

Audit Committee Report

The Audit Committee assists the Board in overseeing matters relating to our accounting and financial reporting practices, the adequacy of its internal controls and the quality and integrity of its financial statements, and is responsible for selecting and retaining the independent auditors. The Audit Committee's responsibilities are more fully described in its charter. Our management is responsible for preparing our financial statements, and the independent auditors are responsible for auditing those financial statements. The Audit Committee does not provide any expert or special assurance as to our financial statements or any professional certification as to the independent auditors' work. The Audit Committee met four (4) times during the year ended December 31, 2015.

In fulfilling its oversight responsibilities, the Audit Committee reviewed our audited financial statements as of and for the year ended December 31, 2015, and discussed them with management and BDO USA, LLP, our independent registered public accounting firm. The Audit Committee discussed and reviewed with BDO USA, LLP all matters required to be discussed by the Public Company Accounting Oversight Board (the "PCAOB") Auditing Standard No. 16.

The Audit Committee has received the written disclosures and the letter from BDO USA, LLP required by the applicable requirements of the PCAOB regarding communications with the Audit Committee concerning independence and has discussed with BDO USA, LLP its independence from us and our management.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that our audited financial statements be included in our 2015 Annual Report.

Gastar Exploration Inc.
Audit Committee
Robert D. Penner, Chairman
John H. Cassels
Randolph C. Coley

This report of the Audit Committee shall not be deemed "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporate by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act.

* * *

Compensation Committee

The Compensation Committee currently consists of Messrs. Cassels (Chairman), Coley and Schuyler, each of whom the Board has determined to be independent according to the definition of independence used in the NYSE MKT listing standards. The Compensation Committee met six (6) times during 2015.

The aim of the Compensation Committee is to award and compensate our officers and employees in a manner which provides incentives for the enhancement of stockholder value, for the successful implementation of our business plan and for continuous improvement in corporate and personal performance. The compensation program is based on a pay-for-performance philosophy and consists of three components: base salary, annual incentive (bonus) paid in cash and long-term equity based incentives.

The Compensation Committee reviews and recommends the compensation philosophy and guidelines for us, including recommendations to the Board for its consideration and approval of annual salary, incentive policies and programs, material new benefit programs and material changes to existing benefit programs.

On an annual basis, the Compensation Committee reviews the cash compensation, performance and overall compensation package for each executive officer. It then submits to the Board recommendations with respect to the base salary, bonus and participation in long-term incentive compensation arrangements for each executive officer. In conducting its review, the Compensation Committee was satisfied that all recommendations complied with the Compensation Committee's philosophy and guidelines. The Compensation Committee also has the authority to retain, compensate, direct, oversee and terminate outside counsel, compensation consultants and other advisors hired to assist the Compensation Committee. In determining 2015 annual incentive cash awards, the Compensation Committee retained Longnecker & Associates ("L&A"), a company that monitors executive and board compensation, equity grants and award policies and corporate compensation practices, as its independent compensation consultant for matters related to executive and non-management director compensation. The Compensation Committee used compensation data provided by L&A. In selecting L&A as its independent compensation consultant, the Compensation Committee assessed the independence of L&A pursuant to SEC rules and considered, among other things, whether L&A provides any other services to us, the fees paid by us to L&A as a percentage of L&A's total revenues, the policies of L&A that are designed to prevent any conflict of interest between L&A, the Compensation Committee and us, any personal or business relationship between L&A and a member of the Compensation Committee or one of our executive officers and whether L&A owned any shares of our common stock. In addition to the foregoing, the Compensation Committee received an independence letter from L&A, as well as other documentation addressing the firm's independence. L&A reports exclusively to the Compensation Committee and does not provide any additional services to us. The Compensation Committee has discussed these considerations and has concluded that L&A is independent and that we do not have any conflicts of interest with L&A.

The Compensation Committee may delegate to its chairman, any one of its members or any subcommittee it may form the responsibility and authority for any particular matter, as it deems appropriate from time to time under the circumstances. In particular, the Compensation Committee may delegate the approval of award grants and other transactions and responsibilities regarding the administration of compensatory programs to a subcommittee consisting solely of members of the Compensation Committee who are (a) "Non-Employee Directors" for the purposes of Rule 16b-3 and/or (b) "outside directors" for the purposes of Section 162(m). However, subcommittees shall not have the authority to engage independent legal counsel and other experts and advisors unless expressly granted such authority by the Compensation Committee.

For more information on the role of the Compensation Committee and the use of independent consulting firms and market data, see “Executive Compensation” below.

A copy of the charter for the Compensation Committee is available free of charge on our website at www.gastar.com.

Reserves Review Committee

The Reserves Review Committee currently consists of Messrs. Holditch (Chairman), Cassels and Schuyler. The Reserves Review Committee met two (2) times during 2015. Its responsibilities include:

- Reviewing our procedures for providing information to the independent qualified reserve evaluator;
- Participating annually in meetings with the independent qualified reserve evaluator to determine whether there are any restrictions that could affect the ability of the evaluator to report without reservation; and
- Reviewing our reserve data with the independent qualified reserve evaluator.

A copy of the charter for the Reserves Review Committee is available free of charge on our website at www.gastar.com.

Nominating & Governance Committee

The Nominating & Governance Committee currently consists of Messrs. Coley (Chairman), Holditch and Penner, each of whom the Board has determined to be independent under the definition of independence used in the NYSE MKT listing standards. The Nominating & Governance Committee met two (2) times during 2015.

With respect to governance activities, the Nominating & Governance Committee has the responsibility of monitoring our overall approach to corporate governance issues, which include:

- Advising the Board and making recommendations regarding appropriate corporate governance practices and assisting the Board in implementing those practices;
- Assisting the Board by identifying individuals qualified to become members of the Board and recommending director nominees to the Board for election at the annual meetings of stockholders or for appointment to fill vacancies on the Board;
- Advising the Board about the appropriate composition of the Board and its committees;
- Leading the Board in the annual performance review of the Board and its committees;
- Directing all matters relating to the succession of the Company’s Chief Executive Officer; and
- Performing such other functions as the Board may assign from time to time.

With respect to nominations, the Nominating & Governance Committee assists the Board in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of directors, having an understanding of our industry, stage of growth, the law and the highest standards of governance. The tasks and responsibilities are defined in the charter of the Nominating & Governance Committee, which was approved by the Board.

Prior to recommending to the Board that an existing director be nominated for election as a director at the annual meeting of stockholders, the Nominating & Governance Committee considers and reviews the director’s: (i) board and committee meeting attendance and performance; (ii) length of Board service; (iii) personal and professional integrity, including commitment to our core values; (iv) experience, skills and contributions that the existing director brings to the Board; and (v) independence under applicable standards.

In the event that a vacancy on the Board arises, the Nominating & Governance Committee seeks and identifies a qualified director nominee to be recommended to the Board for either appointment by the Board to serve the remainder of the term of the director position that is vacant or election at the next annual meeting of stockholders. To identify such a nominee, the Committee solicits recommendations from existing directors and senior management. These recommendations are considered by the Nominating & Governance Committee along with any recommendations that have been received from stockholders. The Nominating & Governance Committee may, in its discretion, retain a search firm to provide additional candidates. Prior to recommending to the Board that a person be elected to fill a vacancy on the Board, the Nominating & Governance Committee considers and reviews the candidate's: (i) relevant skills and experience; (ii) independence under applicable standards; (iii) business judgment; (iv) service on boards of directors of other companies; (v) personal and professional integrity, including commitment to the Company’s core values; (vi) openness and ability to work as part of a team; (vii) willingness to commit the required time to serve as a Board member; and (viii) familiarity with the Company and its industry. The Nominating & Governance Committee also considers the optimal enhancement of the current mix of talent and experience on the Board.

The Nominating & Governance Committee treats recommendations for directors that are received from stockholders equally with recommendations received from any other source. Although we do not have a policy regarding the consideration of diversity in assessing a director nominee, the Board considers the individual's background, experience and competencies that the Board desires to have represented among its members.

On March 12, 2014, we entered into a settlement agreement (the "Settlement Agreement") with Kleinheinz Capital Partners, Inc., Global Undervalued Securities Master Fund, L.P., John B. Kleinheinz and Fred N. Reynolds (collectively, the "Kleinheinz Group"). The Settlement Agreement provided that we would expand our Board from five to seven members and appoint two directors agreeable to both us and the Kleinheinz Group (the "Mutually Agreed Directors"). The Mutually Agreed Directors were appointed after the 2014 Annual Meeting. For the term of the Settlement Agreement the Kleinheinz Group has agreed to vote the shares it beneficially owns in favor of the director candidates that are nominated by our Board.

The Settlement Agreement terminated 60 days prior to the expiration of the Company's advance notice period for the nomination of directors and submission of stockholder proposals for the Annual Meeting.

From time to time, the Nominating & Governance Committee has used a third party to assist it in identifying and evaluating potential director candidates. Pursuant to the Settlement Agreement, the Nominating & Governance Committee engaged Spencer Stuart, an executive search firm, to identify two candidates who were unaffiliated with us and the Kleinheinz Group, qualified as independent under rules of the SEC and the NYSE MKT and have experience and qualifications set forth in the Settlement Agreement.

In March 2016, the Nominating & Governance Committee considered and approved our six (6) director nominees. Our full Board, including our non-independent director, then considered and approved the nominees recommended by the Nominating & Governance Committee.

A copy of the charter for the Nominating & Governance Committee is available free of charge on our website at www.gastar.com.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information regarding the compensation paid to J. Russell Porter, our President and Chief Executive Officer ("CEO"), paid to Michael A. Gerlich, our Senior Vice President and Chief Financial Officer ("CFO") and paid to Michael McCown, our Senior Vice President and Chief Operating Officer ("COO"). These individuals are referred to as "Named Executive Officers." Messrs. Porter, Gerlich and McCown are our only Named Executive Officers as they were our only "Executive Officers," as such term is defined by the rules promulgated by the SEC, during 2015. On February 1, 2016, McCown retired and thus for 2016, would not be considered a Named Executive Officer.

Compensation Philosophy and Objectives

Our executive compensation program is designed to provide compensation at a level necessary to retain talented and experienced executives and to motivate them to achieve both short-term and long-term corporate goals that enhance shareholder value. Consistent with this philosophy, the following are the key objectives of our compensation programs.

Attract, Motivate and Retain Key Employees. Our executive compensation program is shaped by the competitive market for management talent in the independent natural gas and oil exploration and production industry. We believe our executive compensation should be comparable to that of the companies with which we compete for talent. Our goal is to provide compensation and benefits at levels that attract, motivate and retain superior executive talent for the long-term.

Shareholder Interest Alignment. One of the objectives of our executive compensation program is to ensure that an appropriate relationship exists between executive pay, our financial performance and the creation of shareholder value. We believe that linking executive compensation to corporate performance results in a better alignment of compensation with corporate goals and shareholder interests. Our compensation program aligns pay to performance by making a substantial portion of total executive compensation variable, or "at-risk," through an annual bonus program based on our performance goals and the granting of long-term incentive equity awards, which have included restricted common shares, performance-based units and stock options. As performance goals are met, not met or exceeded, executives are rewarded commensurately.

Determination of Executive Compensation

Role of the Compensation Committee. Executive compensation is the responsibility of the Compensation Committee. The Compensation Committee operates under a written charter adopted by the Board. John H. Cassels, Randolph C. Coley and Jerry R. Schuyler are members of the Board and the current members of the Compensation Committee. Mr. Cassels is the current Compensation Committee Chairman. Each member of the Compensation Committee qualifies as an independent director under the NYSE MKT listing standards and under the Exchange Act. A copy of the Compensation Committee's charter is available to shareholders on our website at www.gastar.com.

Philosophy of the Compensation Committee. The Compensation Committee's philosophy is strongly driven by a "Pay for Performance" compensation approach that focuses on enhancing shareholder value. As described in greater detail below, the Compensation Committee presently targets total compensation, which consists of base salary, annual incentive awards and long-term stock awards at the market 50th percentile of its peer group as defined by an independent third party compensation consultant. If management's efforts cause the Company's results to materially exceed or lag behind the results of its peer group, total compensation may be adjusted upward or downward from the market 50th percentile. The Compensation Committee believes that this approach awards and compensates our Named Executive Officers in a manner that fairly and reasonably provides incentives for the enhancement of shareholder value, for the successful implementation of our business plan and the continuous improvement in corporate and personal performance.

During 2015, the Compensation Committee reviewed the cash compensation, performance and overall compensation package for each Named Executive Officer. It then submitted to the Board recommendations with respect to the salary, bonus and participation in equity-based compensation arrangements for each Named Executive Officer. In conducting its review of management's recommendations, the Compensation Committee was satisfied that all recommendations complied with the Compensation Committee's philosophy and guidelines.

Interaction Between the Compensation Committee and Management. Our CEO plays an important role in the executive compensation process and is closely involved in assessing the performance of our CFO and COO, who were our other Named Executive Officers in 2015. He also makes recommendations to the Compensation Committee regarding base salary, bonus targets, and performance goals established for the annual incentive plan, as well as weighting and equity compensation for our CFO and COO. Our CEO's recommendations are based on his review of any market or peer group analysis data provided by our compensation consultant, an assessment of our CFO and COO's responsibilities and individual performance, our Company performance and the compensation that companies in our peer group pay their executives in comparable positions. Our CFO also plays an important role in our executive compensation process. He makes recommendations to the Compensation Committee regarding the structure of the annual cash bonus awards program and the appropriate performance threshold, target and maximum opportunities of the program. These recommendations are drawn from his previous work experience, informal discussions with other CEOs and with CFOs and review of publicly filed information of other similarly-sized natural gas and oil companies regarding their bonus programs.

Role of Compensation Consultant and Market Analysis. For 2015, the Compensation Committee utilized 2014 peer company data and 2015 published survey sources supplied by Longnecker & Associates ("L&A") in reviewing and making certain compensation decisions. For the purposes of its report, L&A's engagement objectives in 2014 included:

- Review total direct compensation (base salary, annual incentives and long-term incentives) for the Named Executive Officers;
- Assess the market competitiveness of executive compensation as compared to our peer group and published surveys of other companies in the oil and natural gas industry with revenues and capital assets comparable to our revenue and capital assets; and
- Provide conclusions and recommended considerations for current total direct compensation packages for our Named Executive Officers.

L&A's approach to this study was based upon its experience in the design of executive compensation programs in the energy industry and external market data procured from the marketplace in which we compete for top-level talent. This experience, along with its competitive market analysis, allowed L&A to make compensation recommendations that provide us with information to attract, retain, and motivate top-level executive talent. Additionally, L&A's recommendations were tailored to balance external market data and our internal environment to ensure fiscal responsibility.

Specifically, L&A's approach was to gather compensation data from (a) public peer companies and (b) published salary surveys and to conduct a market comparison analysis of the gathered data. Prior to beginning its analysis, L&A reviewed the composition of our peer group to assess the continued appropriateness of the group and ensure that the included companies were still relevant for comparative purposes. Based on its review, L&A recommended that companies that had been acquired or delisted, as well as companies whose geographic scope and nature of operations differed from ours be removed. L&A also expanded the number of companies included in our peer group, which was comprised of companies with a similar production profile, revenue base and size, as measured by market capitalization. The updated peer group was approved by the Compensation Committee as representative of the sector in which we operate. Next, L&A analyzed current total direct compensation (base salary, plus annual incentives, plus long-term incentives), as compared to the updated peer group and published survey data based on industry, size and performance. This was followed by developing conclusions and recommended considerations, which was reported to the Compensation Committee.

Companies reviewed by L&A (the "Peer Group") included:

Abraxas Petroleum Corp.

Approach Resources, Inc.

Bonanza Creek Energy, Inc.

Callon Petroleum Company

Carrizo Oil & Gas Inc.

Contango Oil & Gas Co.

Eclipse Resources Corp.

Goodrich Petroleum Corp.

Magnum Hunter Resources Corp.

Panhandle Oil and Gas Inc.

PetroQuest Energy Inc.

Rex Energy Corporation

Triangle Petroleum Corporation

Vanguard Natural Resources, LLC

Warren Resources Inc.

Based upon 2014 comparative pay information of our peer group developed by L&A and published survey data, the Compensation Committee determined that the Named Executive Officers' (a) 2015 base salaries were 15% and 1% above the market 50th percentile of our Peer Group for the CEO and COO, respectively, and equal to the market 50th percentile of our Peer Group for the CFO, (b) 2015 total cash compensation (base salary, plus the annual cash incentive award) was 15%, 20% and 22% below the market 50th percentile of our Peer Group for the CEO, CFO and COO, respectively, (c) 2015 long-term equity awards were 32%, 25% and 25% above the market 50th percentile of our Peer Group for the CEO, CFO and COO, respectively, and (d) 2015 total direct compensation (base salary, plus the annual cash incentive award, plus equity incentive awards) was 10% above the market 50th percentile of our Peer Group for the CEO and was 3% below the market 50th percentile of our Peer Group for both the CFO and COO, respectively. Based upon these findings, the Compensation Committee believes that the individual pay components and total direct compensation levels of the Named Executive Officers in 2015 approximated competitive market levels.

Though we review information regarding the compensation practices of our Peer Group of companies and the survey data just discussed, individual compensation decisions for our CFO and COO are subject to upward or downward adjustment, based on the recommendations of our CEO and a number of factors related to both corporate and individual performance. We use the data regarding the pay practices of companies in our Peer Group as a reference point and as a guide to competitiveness and reasonableness, but we do not adhere to rigid targets, based upon the compensation components of employees at companies within that group. Our present objective is to maintain total direct compensation, consisting of base salary, performance-based cash compensation and equity awards, in proximity to the market 50th percentile of our Peer Group. However, the Compensation Committee has the discretion to adjust an award upward or downward to account for individual achievement in the last fiscal year, the requirements of a particular position, and market competitiveness for a particular individual's skills and services, among other factors.

L&A also reviewed and provided recommended considerations to the Compensation Committee on the Company's long-term incentive plan, including the amount of long-term incentives to provide the Named Executive Officers and the form in which those long-term incentive grants were provided to the Named Executive Officers.

Compensation for our Named Executive Officers and Rationale

Base Salary. Base salary represents the fixed element of the Named Executive Officers' cash compensation. The base salary reflects results of individual negotiations, economic consideration for each individual's level of responsibility, expertise, skills, knowledge, experience and performance and reasonable comparability of similar executive base salaries for executives employed by companies in our Peer Group. In 2015, the Compensation Committee adjusted the base salary amounts for Messrs. Porter, Gerlich and McCown. Messrs. Porter's and McCown's 2015 base salaries were greater than the market 50th percentile of our Peer Group by 15% and 1%, respectively, and Mr. Gerlich's 2015 base salary was equal to the market 50th percentile of our Peer Group. The following table sets forth base salary information for our Named Executive Officers for the periods presented:

	Base Salary		
Name and Principal Position	2015	2014	2013
J. Russell Porter, President and Chief Executive Officer	$550,000	$535,000	$500,000
Michael A. Gerlich, Senior Vice President and Chief Financial Officer	$325,000	$312,000	$300,000
Michael McCown, Senior Vice President and Chief Operating Officer	$350,000	$312,000	$300,000

Annual Cash Incentive Awards. Our annual cash incentive awards reflect our philosophy to reward performance. These awards provide our Named Executive Officers with an opportunity to earn an annual cash bonus based on pre-established operational and financial performance targets and an evaluation of individual performance. The 2015 targeted bonus percentage of our CEO is 89% of his respective base salary and the targeted bonus percentages of our CFO and COO are 88% of their respective base salary amounts. For 2015, the Compensation Committee approved an approximate $1.1 million total management target cash bonus pool for our Named Executive Officers, which was based on the sum of each of our Named Executive Officer's “target bonus” opportunity expressed as a percentage of the Named Executive Officer’s base salary. The bonus pool is accrued throughout the year, and bonuses are normally paid out early in the following year. For 2015, the annual cash incentive awards for Messrs. Porter, Gerlich and McCown were 45%, 47% and 49% below the market 50th percentile of our Peer Group, respectively. The reduced bonus awards during 2015 were the result of the decline from target based on the Company’s performance compared to the metrics and the current commodity price environment.

At the beginning of the year, and as part of our budgeting process, specific operational and financial target criteria are established by the Compensation Committee. In developing the appropriate target criteria and their respective weightings, the Compensation Committee analyzes the relative importance of each of the target criteria to our business strategy for the upcoming year. Each criterion is given a certain weighting, with 30% of the 2015 potential bonus opportunity contingent on the achievement of specific operational factors, 20% contingent on the achievement of a specific financial performance factors and 50% contingent on the achievement of additional per share operational targets and a specific market factor. During the year, operational and financial performance is measured against the criteria. Market performance is measured at December 31, 2015. Judgments that the criteria are being met or not being met may lead to an increase in the pool and an adjustment in the bonus accrual. Criteria and weightings used in 2015 were as follows:

Goal	Threshold	Target	Maximum	Actual	Weighting
Target average annual production (MBoe/d)	11.6	12.9	14.1	13.5	10 %
Target proved reserves additions (MBoe)	4,743	5,271	5,798	3,949	10 %
Average finding costs ($/Boe)	$ 21.49	$19.54	$ 17.59	$31.89	10 %
Average controllable lifting costs ($/Boe)	$ 5.71	$5.19	$ 4.67	$4.40	5 %
Drilling capital efficiency ($/Boe)	$ 11.98	$10.89	$ 9.80	$14.07	5 %
Operating cash flow ($ in millions)	$ 32.1	$35.7	$ 39.2	$25.0	20 %
Operating cash flow per share	$ 0.41	$0.46	$ 0.51	$0.32	10 %
Production per share (Boe)	0.05	0.06	0.07	0.06	15 %
Reserves per share (Boe)	0.64	0.71	0.78	0.72	15 %

If threshold targets are not met with respect to a criterion, then the portion of the bonus allocable to that criterion is not paid. At the end of the year, an approved bonus pool is calculated based on the bonus pool criteria accomplishments. The amount of the calculated bonus pool is subject to adjustment and final approval by the Compensation Committee. For 2015, management's bonus pool target was approximately $1.1 million. During 2015, four of the nine target goals were achieved or exceeded, with none of the goals hitting the maximum payout. Our Named Executive Officers were entitled to receive a combined annual cash incentive payout of approximately $551,000 based on the achieved goals weighted bonus target.

The following table sets forth the bonuses earned and percentage of base salary for our Named Executive Officers for the periods presented:

Name and Principal Position	Year	Bonus Earned[(1)]	% of Base Salary[(2)]
J. Russell Porter	2015	$263,537	48 %
President and Chief	2014	$470,804	88 %
Executive Officer	2013	$472,202	94 %
Michael A. Gerlich	2015	$138,424	43 %
Senior Vice President and	2014	$272,571	87 %
Chief Financial Officer	2013	$273,380	91 %
Michael McCown	2015	$149,072	43 %
Senior Vice President and	2014	$272,571	87 %
Chief Operating Officer	2013	$273,380	91 %

(1) Bonus earned represents the amount earned for the year presented. Such bonus amounts were not paid until early the following year.
(2) Calculated using the bonus earned divided by the base salary amount in effect for the year presented.

The Compensation Committee’s policy is not to award bonuses if performance targets are not met. The Board, however, maintains the ability to award discretionary bonuses if warranted. Pursuant to Mr. Porter’s employment agreement, Mr. Porter is guaranteed a bonus equal to 20% of his annual base salary.

In lieu of the typical performance metrics-based annual bonus program and per the recommendation of L&A, the Board and Compensation Committee have adopted a retention bonus program for 2016 whereby the targets for the CEO and CFO shall be 100% of their respective base salary to be paid out over a five quarter period commencing April 2016.

Long Term Stock-based Compensation. We believe that stock-based compensation is the most effective means of linking compensation provided to our Named Executive Officers with long-term operational success and increases in shareholder value. The Board has discretionary authority to determine granting and vesting periods of stock option, restricted common share and performance based units grants. We use stock-based compensation as a long-term vehicle for compensation because we believe:

- Stock-based compensation aligns the interests of our Named Executive Officers with those of the shareholders by providing equity participation to our Named Executive Officers; and
- The vesting period incorporated into stock-based compensation fosters a longer-term perspective necessary for executive retention, stability and continuity.

During 2015, the stock-based compensation granted to our Named Executive Officers consisted of a combination of restricted shares and performance-based units ("PBUs"). The 2015 grants of restricted common shares vest in one-third increments on the first, second and third anniversaries of the grant date, a vesting period that the Compensation Committee believes is an appropriate balance between longer-term incentives coupled with an element of shorter term reward. The 2015 grants of PBUs will vest and be measured in full following completion of a three-year period (rather than annual measurement, which had been provided for under prior grants). This modification is intended to further align our executive officers' compensation with the long-term appreciation of the Company's stock price. The PBUs represent a contractual right to receive shares of the Company's common stock, an amount of cash equal to the fair market value of a share of the Company's common stock, or a combination of shares of the Company's common stock and cash as of the date of settlement based on the number of PBUs to be settled. The settlement of PBUs may range from 0% to 200% of the targeted number of PBUs stated in the agreement contingent upon the achievement of certain share price appreciation targets as compared to a peer group index, specifically the iShares Dow Jones U.S. Oil & Gas Exploration & Production Index Fund (NYSEARCA:IEO). The PBUs granted prior to 2015 vest equally and settlement is determined annually over a three-year period. Any PBUs not vested at each measurement date expire. The Compensation Committee adheres to our policy of only granting stock-based compensation grants during open trading windows. The following table sets forth criteria for determination of earned PBUs for the 2015 grant:

Performance Delta[1]	Payout as a % of the Number of Initial PBUs for which Measurement Date is Occurring	Payout if Share Price Appreciation During the Period is Not Positive
30 or Greater	200%	100%
25	180%	90%
20	160%	80%
15	140%	70%
10	120%	60%
0	100%	50%
-5	75%	38%
-10	50%	28%
Less than -10.01	0%	0%

(1) Equal to the difference between the share price appreciation of the Company and the share price appreciation of the peer group index for the period beginning on the first day of the performance period and ending at the end of the applicable measurement date.

In 2015, Messrs. Porter, Gerlich and McCown received restricted common share grants of 286,458 shares, 135,417 shares and 145,833 shares, respectively. In addition to restricted common shares, Messrs. Porter, Gerlich and McCown received PBU grants of 286,458, units, 135,417 units and 145,833 units, respectively. The combined fair values of these grants calculated to be 282%, 225% and 225% of Messrs. Porter, Gerlich and McCown's base salaries, respectively, which placed Messrs. Porter, Gerlich and McCown 32%, 25% and 25%, respectively, above the market 50th percentile. The goal of the Compensation Committee has been to move more of the Named Executive Officers' total executive compensation to variable, or "at-risk," and thus further align the interest of the officer with the shareholders by providing the Named Executive Officers a greater stake in our long-term performance. The 2015 restricted stock and PBU grants were consistent with this goal.

Upon vesting on January 30, 2016, the third tranche of PBUs granted on January 30, 2013 to Messrs. Porter, Gerlich and McCown settled at the maximum settlement of 200%. Upon vesting on January 30, 2016, the second tranche of PBUs granted on January 31, 2014 to Messrs. Porter, Gerlich and McCown settled at 0% and no shares were issued.

All Other Compensation. The Named Executive Officers are eligible to participate on a non-discriminatory basis in the same comprehensive benefits as are offered to all full-time employees. These benefits are provided so as to assure that we are able to maintain a competitive position in terms of attracting and retaining executive officers and other employees.

Tax Deductions for Compensation

In conducting our executive compensation programs, the Compensation Committee considers the effects of Section 162(m) of the Internal Revenue Code, as amended (the “Code”), which denies publicly held companies a tax deduction for annual compensation in excess of $1.0 million paid to their chief executive officer or any of their three other most highly compensated executive officers, other than the chief financial officer, who are employed on the last day of a given year, unless their compensation is based on performance criteria that are established by a compensation committee which is made up of outside directors and approved, as to their material terms, by our shareholders. While the Compensation Committee generally considers the deductibility of compensation when making decisions, the Compensation Committee retains the right to pay nondeductible compensation to our named executive officers in order to maintain its flexibility in structuring appropriate compensation programs it feels to be appropriate.

Post Termination or Compensation and Benefits

Each of our Named Executive Officers is party to an employment agreement which provides for payments and benefits in connection with certain termination of employment scenarios.

In addition, we maintain a change of control severance plan (the “Severance Plan”), covering all employees, including the Named Executive Officers. The purpose of the severance plan is to promote stability and continuity of management and employees in the event a change of control transaction should occur (as defined below). Pursuant to the terms of our Severance Plan, our Named Executive Officers are entitled to receive certain post-termination compensation and benefits upon the occurrence of certain events. In order for the Named Executive Officers to receive payments under the Severance Plan, the Named Executive Officers would have to be terminated within two years of a change of control.

For additional information regarding our employment agreements and the Severance Plan, see “Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table” and “Potential Payments upon Termination or Change of Control” below.

Consideration of Previous Stockholder Advisory Vote

In June 2015, our shareholders approved the compensation of our Named Executive Officers as described in our 2015 proxy statement, with approximately 71% of shareholder votes cast in favor of our 2015 “say-on-pay” resolution (excluding abstentions and broker non-votes). The Compensation Committee considered these results as evidence of support for our compensation program and decisions as described in our 2015 proxy statement, and as grounds for maintaining a similar approach for 2016.

Additionally, the Compensation Committee considered and responded to the current economic environment in late 2015 and early 2016 by adopting the following changes for 2016 Named Executive Officer compensation:

(i) Initiation of a salary freeze at 2015 base salary levels until market conditions improve;
(ii) Reduction of bonus payments below targeted amounts; and
(iii) Reduction of 30% of long-term incentive awards.

Hedging Prohibitions

Our insider trading policy prohibits our Named Executive Officers from engaging in any speculative transactions involving our common shares including buying or selling puts or calls, short sales or purchases of securities on margin or otherwise hedging the risk of ownership of our stock. Any such activity would require the approval and authorization of either the CEO or the Chairman of the Audit Committee (in the case of a transaction involving our CEO).

Compensation Committee Report

Board of Directors of Gastar Exploration Inc.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and based on the review and discussions referred to above, the Compensation Committee recommends to the Board that the Compensation Discussion and Analysis be included in the this proxy statement on Schedule 14A.

Gastar Exploration Inc.
Compensation Committee

John H. Cassels, Chairman
Randolph C. Coley
Jerry R. Schuyler

The above Report of the Compensation Committee of the Board does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other of our filings under the Securities Act or the Exchange Act, except to the extent we specifically incorporates this proxy statement by reference therein.

Summary Compensation and Awards

Summary Compensation Table

The following table and discussion below sets forth information about the compensation awarded to, earned by or paid to our Named Executive Officers during the years ended December 31, 2015, 2014 and 2013:

Name and Principal Position	Year	Base Salary	Bonus(1)	Restricted Stock and PBUs(2)	All Other Compensation(3)	Total
J. Russell Porter	2015	$550,000	$470,804	$1,549,738	$ 10,600	$2,581,142
President and Chief	2014	$535,000	$472,202	$1,529,006	$ 10,400	$2,546,608
Executive Officer	2013	$500,000	$489,378	$1,158,393	$ 10,200	$2,157,971
Michael A. Gerlich	2015	$325,000	$272,571	$732,606	$ 10,600	$1,340,777
Senior Vice President and	2014	$312,000	$273,380	$690,980	$ 10,400	$1,286,760
Chief Financial Officer	2013	$300,000	$234,901	$656,111	$ 10,200	$1,201,212
Michael McCown(4)	2015	$350,000	$272,571	$788,957	$ 10,600	$1,422,128
Senior Vice President and	2014	$312,000	$273,380	$566,379	$ 10,400	$1,162,159
Chief Operating Officer	2013	$300,000	$221,851	$403,449	$ 10,033	$935,333

(1) Bonus amount represents bonus paid in the year presented but earned for prior year performance.
(2) The dollar values of restricted stock and PBU awards provided are equal to the aggregate grant date fair value of such award grants awarded to Messrs. Porter, Gerlich and McCown during the years ended December 31, 2015, 2014 and 2013 calculated in accordance with Accounting Standards Codification Topic 718 (“ASC 718”) prior to a

deduction for estimated forfeitures related to service-based conditions. For a description of the assumptions used in calculating these amounts for 2015, see Item 8. "Financial Statements and Supplementary Data, Note 9. Equity Compensation Plans" included in our 2015 Annual Report.

(3) All other compensation includes the Company's contribution to the named executive officers' retirement plans.

(4) Mr. McCown retired from his position as Senior Vice President and Chief Operating Officer on February 1, 2016.

20

Grants of Plan-Based Awards

The following table shows certain information about the restricted common stock and PBUs granted to our Named Executive Officers during the year ended December 31, 2015.

		Estimated Future Payout Under Equity Incentive Plan Awards[2]				All Other Equity Awards: Number of	Grant Date Fair Value of Stock
Name	Date	Threshold	Target	Maximum	Grant Date Fair Value of PBUs[1]	Shares of Stock	Awards[1]
J. Russell Porter	1/30/2015	—	—	—	—	286,458	$ 687,499
J. Russell Porter	1/30/2015	—	286,458	572,916	$ 862,239	—	$ —
Michael A. Gerlich	1/30/2015	—	—	—	—	135,417	$ 325,000
Michael A. Gerlich	1/30/2015	—	135,417	270,834	$ 407,605	—	$ —
Michael McCown	1/30/2015	—	—	—	—	145,833	$ 350,000
Michael McCown	1/30/2015	—	145,833	291,666	$ 438,957	—	$ —

(1) The fair value of the respective restricted share and PBU grants as of the grant date is calculated in accordance with ASC 718 and assumes a target payout of 100% for PBUs. These restricted shares are subject to a 3-year vesting schedule of 33.33% each year, beginning on the first anniversary date of the grant. These PBUs are subject to a 3-year cliff vesting on the third anniversary date of the grant. Upon vesting, the PBUs can be settled at 0% to 200% depending upon our stock price performance.

(2) The estimated future payout for PBUs assumes a target payout of 100% of units granted and a maximum payout of 200% of units granted. For additional information, see "Compensation Discussion & Analysis."

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

The following is a narrative of our various compensation plans and the general terms of each:

Long-Term Incentive Plan. We maintain a long-term incentive plan which provides our Compensation Committee with the flexibility to grant different types of awards in respect of our common stock including, without limitations, stock options, restricted shares and PBUs. For 2015, our Named Executive Officers received awards in the form of restricted shares and PBUs. For a description of the terms of such awards, see "Compensation Discussion & Analysis-Long-Term Stock-Based Compensation."

Employee Severance Plan. For the Named Executive Officers, the Severance Plan provides that if a Named Executive Officer's employment is terminated within two years following a change of control for any reason other than (i) death, (ii) disability, (iii) by us for "cause" or (iv) by the Named Executive Officer for other than a "good reason," the Named Executive Officer will receive a lump-sum payment equal to a multiple that is equal to the applicable severance period, as set forth in the Severance Plan, times the sum of (1) his annual salary and (2) annual target bonus.

A change of control is defined in the Severance Plan to mean (1) the consummation of a merger, consolidation, reorganization or other transaction whereby our shareholders retain less than 50% control, directly or indirectly, of us or the surviving company, (2) our incumbent directors cease to constitute a majority of the Board or (3) a sale or other disposition of all or substantially all of our assets. The Severance Plan does not change the specific, non-change of control severance payments in place under the existing employment agreements with our Named Executive Officers but does provide change of control severance benefits to the Named Executive Officers only if they are greater than the severance benefits provided under the employment agreement. The Severance Plan does not allow for any duplication of severance benefits.

The following summarizes the severance periods and target bonus percentages for the Named Executive Officers set forth in the Severance Plan, as amended:

	Severance Period In Years	Target Bonus Percentage	
Chief Executive Officer	3.00	89	%
Chief Financial Officer	2.50	88	%
Chief Operating Officer	2.50	88	%

21

Additionally, during the applicable severance period, Named Executive Officers would receive reimbursement for the cost of COBRA continuation health care coverage, less the amount charged at the time of termination to the employee for medical coverage.

If the Named Executive Officer receives a payment or benefit that is subject to the “golden parachute” excise tax, the Named Executive Officer will receive an additional payment under the severance plan to make him or her “whole” for that excise tax and any taxes on the additional parachute tax gross-up payment. The Compensation Committee has determined that “golden parachute” excise tax gross-up benefits will not be included in any future executive or employee compensation agreements or plans entered into or adopted by the Company.

If the individual’s employment is terminated within six months prior to a change of control and it is reasonably shown to have been in connection with the change of control, then the change of control will be treated with respect to that employee as having occurred prior to his or her termination.

Employment Agreements. We entered into employment agreements with J. Russell Porter, our President and CEO, and Michael A. Gerlich, our CFO, effective February 24, 2005, and May 17, 2005, respectively, each amended July 25, 2008. Mr. Porter’s employment agreement was amended on February 3, 2011 to remove a provision that allowed him to trigger severance payments by providing the Company with six months’ notice. Mr. Gerlich's employment agreement was amended on April 10, 2012 (effective as of January 1, 2012) to reflect the change in his target bonus amount used for purposes of determining his severance entitlement under his employment agreement. We entered into an employment agreement with Michael McCown, our COO, effective June 19, 2014. The agreements with Messrs. Porter, Gerlich and McCown set forth, among other things, annual compensation, and adjustments thereto, minimum bonus payments, fringe benefits, termination and severance provisions. The agreements with Messrs. Porter and Gerlich renew annually; however, they may be terminated at any time with or without cause. The agreement with Mr. McCown had an initial term ending June 19, 2016 and was terminated on February 1, 2016 in conjunction with his retirement.

Mr. Porter’s employment agreement provides that he is entitled to a minimum annual bonus in an amount that may take the form of cash compensation, the award of stock or stock options, royalty rights or otherwise and that he shall receive an annual cash bonus equal to at least 20% of his annual base salary. The employment agreement further provides that such bonuses shall reflect not only the results of our operations and business, but also his contribution as President and CEO.

Mr. Gerlich’s employment agreement provides that the Compensation Committee may on a yearly basis, or more frequently, award Mr. Gerlich a discretionary bonus or bonuses based not only on the positive results of our operations and business, but Mr. Gerlich’s contribution as CFO. Such bonuses may take the form of cash compensation, the award of common shares or stock options, royalty rights or otherwise.

Mr. McCown's employment agreement provided that each year he was eligible to receive a cash bonus as recommended and approved by the Compensation Committee if the Company and Mr. McCown, as applicable, achieved certain performance targets established by the Compensation Committee.

Salary and Cash Bonus in Proportion to Total Compensation

The following table sets forth the percentage of each Named Executive Officer’s total compensation that we paid in the form of base salary and cash bonus earned (excluding long-term incentive cash awards) for the year 2015.

	Base Salary

	and Cash Bonuses as a Percentage of Total Compensation
J. Russell Porter	34%
Michael A. Gerlich	39%
Michael McCown	39%

Outstanding Equity Awards at Fiscal Year-End for 2015

The following table sets forth information about outstanding equity awards held by our Named Executive Officers as of December 31, 2015:

		Option Awards				PBU Awards		Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of PBUs That Have Not Vested[1]	Market Value of PBUs That Have Not Vested[1]	Number of Shares of Restricted Stock That Have Not Vested	Market Value of Shares of Restricted Stock That Have Note Vested[2]
J. Russell Porter[3]	4/5/2006	Weighted average shares outstanding, basic							

50,995 50,842

Diluted Earnings Per Share

Numerator:

Net income (loss) available to common shareholders, basic
$119,926 $(93,163)

Preferred stock dividends
5,391 -

Adjusted net income (loss) available to common shareholders, diluted
$125,317 $(93,163)

Denominator:

Weighted average shares outstanding, basic
50,995 50,842

Restricted stock and stock options
284 -

Convertible perpetual preferred stock
7,946 -

Weighted average shares outstanding, diluted
59,225 50,842

Earnings (loss) per common share, basic
$2.35 $(1.83)

Earnings (loss) per common share, diluted

$2.12 $(1.83)

For the three months ended June 30, 2009, the Company had a net loss. Therefore, the diluted earnings per share calculation for that period excludes the effect of 218,331 shares of restricted stock and stock options, as well as 611,256 weighted average shares of convertible preferred stock outstanding because their effect was anti-dilutive.

	Six Months Ended June 30,	
	2010	2009
Basic Earnings Per Share		
Numerator:		
Net income (loss)	$211,928	$(136,922)
Preferred stock dividends	(10,781)	-
Net income (loss) available to common shareholders, basic	$201,147	$(136,922)
Denominator:		
Weighted average shares outstanding, basic	50,953	49,230

Table of Contents

	Six Months Ended June 30, 2010	2009
Diluted Earnings Per Share		
Numerator:		
Net income (loss) available to common shareholders, basic	$201,147	$(136,922)
Preferred stock dividends	10,781	-
Adjusted net income (loss) available to common shareholders, diluted	$211,928	$(136,922)
Denominator:		
Weighted average shares outstanding, basic	50,953	49,230
Restricted stock and stock options	335	-
Convertible perpetual preferred stock	7,946	-
Weighted average shares outstanding, diluted	59,234	49,230
Earnings (loss) per common share, basic	$3.95	$(2.78)
Earnings (loss) per common share, diluted	$3.58	$(2.78)

For the six months ended June 30, 2009, the Company had a net loss. Therefore, the diluted earnings per share calculation for that period excludes the effect of 158,661 shares of restricted stock and stock options, as well as 307,316 weighted average shares of convertible preferred stock outstanding because their effect was anti-dilutive.

11. ADOPTED AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, Improving Disclosures about Fair Value Measurements ("ASU 2010-06"), which provides amendments to FASB ASC Topic 820, Fair Value Measurements and Disclosures. The objective of ASU 2010-06 is to provide more robust disclosures about (i) the different classes of assets and liabilities measured at fair value, (ii) the valuation techniques and inputs used, (iii) the activity in Level 3 fair value measurements, and (iv) significant transfers between Levels 1, 2 and 3. ASU 2010-06 became effective for fiscal years and interim periods beginning after December 15, 2009. The Company adopted ASU 2010-06 effective January 1, 2010, which did not have an impact on its consolidated financial statements, other than additional disclosures.

Table of Contents

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Unless the context otherwise requires, the terms “Whiting,” “we,” “us,” “our” or “ours” when used in this Item refer to Whiting Petroleum Corporation, together with its consolidated subsidiaries, Whiting Oil and Gas Corporation and Whiting Programs, Inc. When the context requires, we refer to these entities separately. This document contains forward-looking statements, which give our current expectations or forecasts of future events. Please refer to “Forward-Looking Statements” at the end of this Item for an explanation of these types of statements.

Overview

We are an independent oil and gas company engaged in oil and gas acquisition, development, exploitation, production and exploration activities primarily in the Permian Basin, Rocky Mountains, Mid-Continent, Gulf Coast and Michigan regions of the United States. Prior to 2006, we generally emphasized the acquisition of properties that increased our production levels and provided upside potential through further development. Since 2006, we have focused primarily on organic drilling activity and on the development of previously acquired properties, specifically on projects that we believe provide the opportunity for repeatable successes and production growth. We believe the combination of acquisitions, subsequent development and organic drilling provides us a broad set of growth alternatives and allows us to direct our capital resources to what we believe to be the most advantageous investments.

As demonstrated by our recent capital expenditure programs, we are increasingly focused on a balanced exploration and development program, while continuing to selectively pursue acquisitions that complement our existing core properties. We believe that our significant drilling inventory, combined with our operating experience and cost structure, provides us with meaningful organic growth opportunities. Our growth plan is centered on the following activities:

- pursuing the development of projects that we believe will generate attractive rates of return;
- maintaining a balanced portfolio of lower risk, long-lived oil and gas properties that provide stable cash flows;
- seeking property acquisitions that complement our core areas; and
- allocating a portion of our capital budget to leasing and exploring prospect areas.

We have historically acquired operated and non-operated properties that exceed our rate of return criteria. For acquisitions of properties with additional development, exploitation and exploration potential, our focus has been on acquiring operated properties so that we can better control the timing and implementation of capital spending. In some instances, we have been able to acquire non-operated property interests at attractive rates of return that established a presence in a new area of interest or that have complemented our existing operations. We intend to continue to acquire both operated and non-operated interests to the extent we believe they meet our return criteria. In addition, our willingness to acquire non-operated properties in new geographic regions provides us with geophysical and geologic data in some cases that leads to further acquisitions in the same region, whether on an operated or non-operated basis. We sell properties when we believe that the sales price realized will provide an above average rate of return for the property or when the property no longer matches the profile of properties we desire to own.

Table of Contents

Although oil prices fell significantly after reaching a high in the third quarter of 2008 with a daily average NYMEX of $118.13 per Bbl, they have experienced a rebound in the second half of 2009 and first half of 2010. For example, the daily average NYMEX oil price was $43.21, $59.62, $68.29 and $76.17 per Bbl for the first, second, third and fourth quarters of 2009, respectively, and $78.79 and $77.99 per Bbl for the first and second quarters of 2010, respectively. Additionally, natural gas prices have fallen significantly since their third quarter 2008 daily average NYMEX of $10.27 per Mcf and remained low throughout 2009, but have slightly increased during the first half of 2010. For example, daily average NYMEX natural gas prices declined to $3.99 per Mcf for 2009, but rose to $4.69 per Mcf for the first half of 2010. Lower oil and natural gas prices may not only decrease our revenues, but may also reduce the amount of oil and natural gas that we can produce economically and therefore potentially lower our reserve bookings. A substantial or extended decline in oil or natural gas prices may result in impairments of our proved oil and gas properties and may materially and adversely affect our future business, financial condition, cash flows, results of operations, liquidity or ability to finance planned capital expenditures. Lower oil and gas prices may also reduce the amount of our borrowing base under our credit agreement, which is determined at the discretion of the lenders based on the collateral value of our proved reserves that have been mortgaged to the lenders. Alternatively, higher oil and natural gas prices may result in significant non-cash mark-to-market losses being recognized on our commodity derivatives, which may in turn cause us to experience net losses.

2010 Highlights and Future Considerations

Operational Highlights. Our Sanish and Parshall fields in Mountrail County, North Dakota target the Bakken and Three Forks formations. Net production in the Sanish field increased 114% from 10.2 MBOE/d in June 2009 to 21.8 MBOE/d in June 2010. From January 1 through July 20 2010, we completed 40 operated wells in the Sanish field, bringing to 108 the total number of operated wells in the field. As of July 20, 2010, 11 operated wells were being completed or awaiting completion and nine operated wells were being drilled in the Sanish field. In 2010, we intend to drill or participate in the drilling of a total of 98 gross (52 net) wells in the Sanish field, of which 88 will target the Bakken formation and ten will target the Three Forks formation. Net production in the Parshall field increased 6% from 5.3 MBOE/d in June 2009 to 5.6 MBOE/d in June 2010.

We continue to have significant development and related infrastructure activity in the Postle and North Ward Estes fields acquired in 2005, which have resulted in reserve additions and production increases. Our expansion of the CO2 floods at both fields continues to generate positive results.

Production continued to increase from the Postle field, which is located in Texas County, Oklahoma and produces from the Morrow sandstone. In the second quarter of 2010, the field produced at an average net rate of 9.6 MBOE/d, representing a 22% increase from the 7.8 MBOE/d rate in the second quarter of 2009.

The North Ward Estes field is located in Ward and Winkler Counties, Texas and is responding positively to our water and CO2 floods, which we initiated in May 2007. In early March 2009, we expanded the area of our CO2 injection project. Net production from the field increased 22% from 6.3 MBOE/d in the second quarter of 2009 to 7.7 MBOE/d in the second quarter of 2010. In this field, we are developing new and reactivated wells for water and CO2 injection and production purposes. Additionally, we plan to install oil, gas and water processing facilities in eight phases. The first two phases were largely completed by December 2009, and we estimate that Phase III-A will be substantially complete in the fourth quarter of 2010.

Table of Contents

Results of Operations

Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

Selected Operating Data:	Six Months Ended June 30, 2010	2009
Net production:		
Oil (MMBbls)	9.1	7.3
Natural gas (Bcf)	13.2	15.5
Total production (MMBOE)	11.3	9.9
Net sales (in millions):		
Oil (1)	$636.8	$307.3
Natural gas (1)	66.9	53.2
Total oil and natural gas sales	$703.7	$360.5
Average sales prices:		
Oil (per Bbl)	$70.23	$41.85
Effect of oil hedges on average price (per Bbl)	(1.33)	1.40
Oil net of hedging (per Bbl)	$68.90	$43.25
Average NYMEX price (per Bbl)	$78.39	$51.46
Natural gas (per Mcf)	$5.07	$3.44
Effect of natural gas hedges on average price (per Mcf)	0.04	0.04
Natural gas net of hedging (per Mcf)	$5.11	$3.48
Average NYMEX price (per Mcf)	$4.69	$4.21
Cost and expense (per BOE):		
Lease operating expenses	$11.41	$11.95
Production taxes	$4.54	$2.46
Depreciation, depletion and amortization expense	$17.05	$20.19
General and administrative expenses	$2.58	$1.94

(1) Before consideration of hedging transactions.

Oil and Natural Gas Sales. Our oil and natural gas sales revenue increased $343.2 million to $703.7 million in the first half of 2010 compared to the same period in 2009. Sales are a function of volumes sold and average sales prices. Our oil sales volumes increased 23% between periods, while our natural gas sales volumes decreased 15%. The oil volume increase resulted primarily from drilling success in the North Dakota Bakken area in addition to increased production at our two large CO_2 projects, Postle and North Ward Estes. Oil production from the Bakken increased 1,345 MBbl compared to the first half of 2009, while Postle oil production increased 315 MBbl and North Ward Estes oil production increased 295 MBbl over the same prior year period. The gas volume decrease between periods was primarily the result of normal field production decline, which led to gas production decreases of 965 MMcf and 905 MMcf at our Boies Ranch and Kawitt areas, respectively, compared to the first six months of 2009. These production decreases were partially offset by increased gas production of 780 MMcf in our North Dakota Bakken area. Also contributing to the increase in oil and natural gas sales revenue in 2010 were increases in average sales prices. Our average price for oil before the effects of hedging increased 68% between periods, and our average price for natural gas before the effects of hedging increased 47%. In addition to higher NYMEX pricing during the first half of 2010 as compared to the same period in 2009, natural gas sales price increases were also due to fixed-price gas contracts entered into at our Flat Rock and Boies Ranch areas that carried a weighted-average price of $5.36 per Mcf for the first half of 2010. These contracts were in effect starting in the latter portion of the fourth quarter of 2009.

Table of Contents

Gain on Hedging Activities. Effective April 1, 2009, we elected to de-designate all of our commodity derivative contracts that had been previously designated as cash flow hedges as of March 31, 2009 and have elected to discontinue hedge accounting prospectively. Accordingly, we reclassify from accumulated other comprehensive income (“AOCI”) into earnings unrealized gains (which were frozen in AOCI on the April 1, 2009 de-designation date) upon the expiration of these de-designated crude oil hedges, and we report these unrealized gains as gain on hedging activites. Prior to April 1, 2009, however, realized cash settlements gains or losses on hedge-designated crude oil derivatives were also included in gain (loss) on hedging activities.

Our gain on hedging activities decreased $5.0 million in 2010 as compared to the first half of 2009. The components of our gain on hedging activities were as follows (in thousands):

	Six Months Ended June 30,	
	2010	2009
Gains reclassified from AOCI on de-designated hedges	$15,259	$6,848
Realized cash settlement gains on crude oil derivatives	-	13,450
Total	$15,259	$20,298

None of our natural gas derivatives were designated as cash flow hedges during the first six months of 2010 or 2009. See Item 3, “Qualitative and Quantitative Disclosures About Market Risk” for a list of our outstanding oil and natural gas derivatives as of July 1, 2010.

Amortization of Deferred Gain on Sale. In connection with the sale of 11,677,500 Trust units to the public in April 2008 and the related oil and gas property conveyance, we recognized a deferred gain on sale of $100.1 million. This deferred gain is amortized to income over the life of the Trust on a units-of-production basis. For the six months ended June 30, 2010 and 2009, we recognized $7.8 million and $8.4 million, respectively, in income as amortization of deferred gain on sale.

Gain on Sale of Properties. During the six months ended June 30, 2010, we sold our interest in several non-core properties for aggregate proceeds of $7.8 million in cash, which resulted in a pre-tax gain on sale of $1.9 million. During the six months ended June 30, 2009, we entered into a participation agreement with a privately held independent oil company covering acreage located primarily in the western portion of the Sanish field in Mountrail County, North Dakota. At the closing of the agreement, the private company paid us $107.3 million, resulting in a pre-tax gain on sale of $4.6 million.

Lease Operating Expenses. Our lease operating expenses (“LOE”) during the first six months of 2010 were $128.6 million, a $10.0 million increase over the same period in 2009. This higher amount of LOE in 2010 was related to increases of $3.4 million in ad valorem taxes, $3.3 million in transportation charges and $2.2 million in electric power costs between periods, as well as a higher level of workover activity. The increase in transportation charges was primarily due to higher transportation fees on non-operated properties in the Bakken. Workovers amounted to $31.0 million in the first half of 2010, as compared to $26.3 million in the first half of 2009, and this increase in workover activity primarily related to our two CO_2 projects, which are evolving past the construction and start-up phases and moving into an ongoing maintenance and repair phase that involves a significantly higher number of producing and injection wells. Our lease operating expenses on a BOE basis, however, decreased from $11.95 during the first six months of 2009 to $11.41 during the first six months of 2010. This decrease of 5% on a BOE basis was primarily caused by increased oil and natural gas production volumes.

Table of Contents

Production Taxes. Our production taxes are generally calculated as a percentage of oil and natural gas sales revenue before the effects of hedging. We take advantage of credits and exemptions allowed in our various taxing jurisdictions. Our production taxes during the first six months of 2010 were $51.1 million, a $26.7 million increase over the same period in 2009, primarily due to higher oil and natural gas sales between periods. Our company-wide production tax rates for the first half of 2010 and 2009 were 7.3% and 6.8%, respectively, of oil and natural gas sales. Our production tax rate for the first half of 2010 was greater than the rate for same period in 2009 mainly due to successful wells completed during the second half of 2009 and the first half of 2010 in the North Dakota Bakken area, which has an 11.5% production tax rate.

Depreciation, Depletion and Amortization. Our depreciation, depletion and amortization (“DD&A”) expense decreased $8.2 million in 2010 as compared to the first half of 2009. The components of our DD&A expense were as follows (in thousands):

	Six Months Ended June 30,	
	2010	2009
Depletion	$187,569	$194,993
Depreciation	1,005	1,599
Accretion of asset retirement obligations	3,558	3,757
Total	$192,132	$200,349

DD&A decreased in the first half of 2010 primarily due to $7.4 million in lower depletion expense between periods. This net decrease in depletion of $7.4 million was the result of $33.8 million in lower depletion expense due to a decline in our depletion rate between periods, which effect was largely offset by $26.4 million in higher oil and gas volumes produced during the first half of 2010. On a BOE basis, our DD&A rate of $17.05 for the first half of 2010 was 16% lower than the rate of $20.19 for the same period in 2009. The primary factors causing this lower DD&A rate was a net increase in our estimated proved reserves of 35.9 MMBOE as of December 31, 2009, as well as proved developed and total proved reserves added during the first half of 2010. These increases in proved reserves drove our DD&A rate substantially lower during the first half of 2010, as compared to our DD&A rate during the first half of 2009. This factor was partially offset by (i) $455.2 million in drilling and development expenditures incurred during the past twelve months and (ii) the significant expenditures necessary to develop proved undeveloped reserves, particularly related to the enhanced oil recovery projects in the Postle and North Ward Estes fields, whereby the development of proved undeveloped reserves does not increase existing quantities of proved reserves. Under the successful efforts method of accounting, costs to develop proved undeveloped reserves are added into the DD&A rate when incurred.

Exploration and Impairment Costs. Our exploration and impairment costs increased $0.3 million in the first half of 2010, as compared to the first half of 2009. The components of our exploration and impairment costs were as follows (in thousands):

	Six Months Ended June 30,	
	2010	2009
Exploration	$19,715	$18,811
Impairment	7,700	8,295
Total	$27,415	$27,106

Table of Contents

Exploration costs increased $0.9 million during the first half of 2010 as compared to the same period in 2009 primarily due to an increase in geological and geophysical ("G&G") activity and higher exploratory dry hole costs, partially offset by reduced rig termination fees. G&G costs amounted to $9.7 million during the first half of 2010, as compared to $5.1 million during the same period in 2009. During the first half of 2010, we drilled one exploratory dry hole in the Gulf Coast region totaling $2.6 million, while we did not drill any exploratory dry holes during the first half of 2009. These increases were partially offset by reduced rig termination fees recognized in the first half of 2010. No rig termination fees were paid during the first half of 2010, while rig termination fees totaled $7.5 million during the first half of 2009. The impairment charges in the first half of 2010 and 2009 were primarily related to the amortization of leasehold costs associated with individually insignificant unproved properties.

General and Administrative Expenses. We report general and administrative expenses net of third party reimbursements and internal allocations. The components of our general and administrative expenses were as follows (in thousands):

	Six Months Ended June 30,	
	2010	2009
General and administrative expenses	$55,392	$43,683
Reimbursements and allocations	(26,356)	(24,421)
General and administrative expense, net	$29,036	$19,262

General and administrative expense before reimbursements and allocations increased $11.7 million to $55.4 million during the first half of 2010. The largest component of the increase related to $9.4 million in higher accrued distributions under our Production Participation Plan (the "Plan") between periods. Plan distributions increased due to a higher level of Plan net revenues (which have been reduced by lease operating expenses and production taxes pursuant to the Plan formula) resulting from higher overall production and higher oil and natural gas prices during the first half of 2010 as compared to the same period in 2009. In addition to these higher accrued Plan distributions, there was $4.0 million in additional employee compensation in the first six months of 2010 related to higher stock compensation between periods, personnel hired during the past twelve months and general pay increases. The increase in reimbursements and allocations in the first half of 2010 was primarily caused by higher salary costs and a greater number of field workers on operated properties. Our general and administrative expenses as a percentage of oil and natural gas sales decreased from 5% for the first six months of 2009 to 4% for the first six months of 2010.

Interest Expense. The components of our interest expense were as follows (in thousands):

	Six Months Ended June 30,	
	2010	2009
Senior Subordinated Notes	$22,162	$21,745
Credit Agreement	4,108	8,153
Amortization of debt issue costs and debt discount	5,024	4,355
Other	813	933
Capitalized interest	(783)	(1,813)
Total	$31,324	$33,373

The decrease in interest expense of $2.0 million between periods was mainly due to lower borrowings outstanding under our credit agreement during the first half of 2010, which reduced the interest on our credit agreement by $4.0 million. The decrease in interest on our credit agreement was partially offset by higher debt issue cost amortization associated with additional issuance costs incurred in April 2009 when renewing our credit agreement, as well as lower amounts of capitalized interest between periods. Our weighted average debt outstanding during the first half of 2010 was $745.2 million versus $1,210.9 million for the first half of 2009. Our weighted average effective cash interest rate was 7.1% during the first half of 2010 compared to 5.0% during the first half of 2009.

Table of Contents

Change in Production Participation Plan Liability. For the six months ended June 30, 2010, this non-cash expense was $5.7 million, an increase of $2.0 million as compared to the same period in 2009. This expense in 2010 represents the change in the vested present value of estimated future payments to be made after 2011 to participants under our Plan. Although payments take place over the life of the Plan's oil and gas properties, which for some properties is over 20 years, we expense the present value of estimated future payments over the Plan's five-year vesting period. This expense in 2010 and 2009 primarily reflected (i) changes to future cash flow estimates stemming from the volatile commodity price environment during each respective year, (ii) recent drilling activity and property acquisitions, and (iii) employees' continued vesting in the Plan. Assumptions that are used to calculate this liability are subject to estimation and will vary from year to year based on the current market for oil and gas, discount rates and overall market conditions.

Commodity Derivative (Gain) Loss, Net. During the past three years, we entered into commodity derivative contracts that we did not designate as cash flow hedges. In addition, effective April 1, 2009, we elected to de-designate all of our commodity derivative contracts that had been previously designated as cash flow hedges as of March 31, 2009 and have elected to discontinue hedge accounting prospectively. Accordingly, beginning April 1, 2009 all of our derivative contracts are marked-to-market each quarter with fair value gains and losses recognized immediately in earnings. Cash flow is only impacted to the extent that actual cash settlements under these contracts result in making or receiving a payment from the counterparty, and such cash settlement gains and losses are also recorded immediately to earnings as commodity derivative (gain) loss, net.

The components of our commodity derivative (gain) loss, net were as follows (in thousands):

	Six Months Ended June 30,	
	2010	2009
Change in unrealized (gains) losses on derivative contracts	$(89,977)	$156,973
Realized cash settlement losses	11,559	2,458
Loss on hedging ineffectiveness	-	22,866
Total	$(78,418)	$182,297

The change in unrealized (gains) losses on derivative contracts increased by $247.0 million between periods due to the fact that (i) there was a significant downward shift in the forward price curve for NYMEX crude oil during the six months ended June 30, 2010 as compared to the upward shift in the same forward price curve during the six months ended June 30, 2009, and (ii) we averaged 17.4 MMBbls of crude oil hedged during the six months ended June 30, 2010, while we averaged 21.3 MMBbls of crude oil hedged during the six months ended June 30, 2009. During the first six months of 2009, we recognized a loss of $22.9 million for the ineffective portion of changes in fair value on our commodity derivatives designated as cash flow hedges.

Income Tax Expense (Benefit). Income tax expense totaled $130.1 million for the first six months of 2010, as compared to a $78.1 million income tax benefit for the first six months of 2009. Our effective income tax rate increased from 36.3% for the first half of 2009 to 38.0% for the first half of 2010.

Table of Contents

Net Income (Loss) Available to Common Shareholders. Net income (loss) available to common shareholders increased from a $136.9 million loss during the first half of 2009 to $201.1 million in income for the first half of 2010. The primary reasons for this increase include a 14% increase in equivalent volumes sold; a 59% increase in oil prices (net of hedging); a 47% increase in natural gas prices (net of hedging); higher unrealized commodity derivative gains; lower DD&A and interest expense. These positive factors were partially offset by lower gain on sale of properties and amortization of deferred gain on sale; higher production taxes, dividends paid on preferred stock, lease operating expenses, general and administrative expenses, Production Participation Plan expense, exploration and impairment and income taxes during the first half of 2010.

Table of Contents

Three Months Ended June 30, 2010 Compared to Three Months Ended June 30, 2009

Selected Operating Data:	Three Months Ended June 30, 2010	2009
Net production:		
Oil (MMBbls)	4.8	3.8
Natural gas (Bcf)	6.6	7.6
Total production (MMBOE)	5.9	5.0
Net sales (in millions):		
Oil (1)	$333.0	$191.0
Natural gas (1)	30.0	23.3
Total oil and natural gas sales	$363.0	$214.3
Average sales prices:		
Oil (per Bbl)	$69.78	$50.66
Effect of oil hedges on average price (per Bbl)	(0.68)	(1.15)
Oil net of hedging (per Bbl)	$69.10	$49.51
Average NYMEX price (per Bbl)	$77.99	$59.62
Natural gas (per Mcf)	$4.52	$3.08
Effect of natural gas hedges on average price (per Mcf)	0.04	0.05
Natural gas net of hedging (per Mcf)	$4.56	$3.13
Average NYMEX price (per Mcf)	$4.09	$3.50
Cost and expense (per BOE):		
Lease operating expenses	$11.52	$11.44
Production taxes	$4.43	$2.96
Depreciation, depletion and amortization expense	$16.09	$19.93
General and administrative expenses	$2.62	$2.04

(1) Before consideration of hedging transactions.

Oil and Natural Gas Sales. Our oil and natural gas sales revenue increased $148.7 million to $363.0 million in the second quarter of 2010 compared to the same period in 2009. Sales are a function of volumes sold and average sales prices. Our oil sales volumes increased 27% between periods, while our natural gas sales volumes decreased 13%. The oil volume increase resulted primarily from drilling success in the North Dakota Bakken area in addition to increased production at our two large CO2 projects, Postle and North Ward Estes. Oil production from the Bakken increased 805 MBbl compared to the second quarter of 2009, while Postle oil production increased 155 MBbl and North Ward Estes oil production increased 150 MBbl in the second quarter of 2010 over the same prior year period. The gas volume decrease between periods was primarily the result of normal field production decline, which led to gas production decreases of 415 MMcf and 375 MMcf at our Boies Ranch and Kawitt areas, respectively, compared the second quarter of 2009. These production decreases were partially offset by increased gas production of 385 MMcf in our North Dakota Bakken area. Also contributing to the increase in oil and natural gas sales revenue in 2010 were increases in average sales prices. Our average price for oil before the effects of hedging increased 38% between periods, and our average price for natural gas before the effects of hedging increased 47%. In addition to higher NYMEX pricing during the second quarter of 2010 as compared to the same period in 2009, natural gas sales price increases were also due to fixed-price gas contracts entered into at our Flat Rock and Boies Ranch areas that carried a weighted-average price of $5.36 per Mcf for the second quarter of 2010. These contracts were in effect starting in the latter portion of the fourth quarter of 2009.

Table of Contents

Gain on Hedging Activities. Effective April 1, 2009, we elected to de-designate all of our commodity derivative contracts that had been previously designated as cash flow hedges as of March 31, 2009 and have elected to discontinue hedge accounting prospectively. As a result, we reclassified from AOCI into earnings $8.5 million and $6.8 million in unrealized gains (which were frozen in AOCI on the April 1, 2009 de-designation date) upon the expiration of these de-designated crude oil hedges in the second quarter of 2010 and 2009, respectively. None of our natural gas derivatives were designated as cash flow hedges during the second quarter of 2010 or 2009. See Item 3, "Qualitative and Quantitative Disclosures About Market Risk" for a list of our outstanding oil and natural gas derivatives as of July 1, 2010.

Amortization of Deferred Gain on Sale. In connection with the sale of 11,677,500 Trust units to the public in April 2008 and the related oil and gas property conveyance, we recognized a deferred gain on sale of $100.1 million. This deferred gain is amortized to income over the life of the Trust on a units-of-production basis. For the three months ended June 30, 2010 and 2009, we recognized $4.0 million and $4.3 million, respectively, in income as amortization of deferred gain on sale.

Gain on Sale of Properties. During the three months ended June 30, 2010, we sold our interest in several non-core properties for aggregate proceeds of $7.6 million in cash, which resulted in a pre-tax gain on sale of $1.9 million. During the three months ended June 30, 2009, we entered into a participation agreement with a privately held independent oil company covering acreage located primarily in the western portion of the Sanish field in Mountrail County, North Dakota. At the closing of the agreement, the private company paid us $107.3 million, resulting in a pre-tax gain on sale of $4.6 million.

Lease Operating Expenses. Our lease operating expenses during the second quarter of 2010 were $67.7 million, a $10.1 million increase over the same period in 2009. This higher amount of LOE in 2010 was related to increases of $3.4 million in electric power costs, $1.9 million in transportation charges and $1.5 million in ad valorem taxes between periods, as well as a higher level of workover activity. The increase in transportation charges was primarily due to higher transportation fees on non-operated properties in the Bakken. Workovers amounted to $18.4 million in the second quarter of 2010, as compared to $12.2 million in the second quarter of 2009, and this increase in workover activity primarily related to our two CO_2 projects, which are evolving past the construction and start-up phases and moving into an ongoing maintenance and repair phase that involves a significantly higher number of producing and injection wells. Our lease operating expenses on a BOE basis increased from $11.44 during the second quarter of 2009 to $11.52 during the second quarter of 2010. The increase of 1% on a BOE basis was caused by increased LOE, partially offset by increased oil and natural gas production volumes.

Production Taxes. Our production taxes are generally calculated as a percentage of oil and natural gas sales revenue before the effects of hedging. We take advantage of credits and exemptions allowed in our various taxing jurisdictions. Our production taxes during the second quarter of 2010 were $26.1 million, an $11.1 million increase over the same period in 2009, primarily due to higher oil and natural gas sales between periods. Our company-wide production tax rates for the second quarter of 2010 and 2009 were 7.2% and 7.0%, respectively, of oil and natural gas sales. Our production tax rate for the second quarter of 2010 was greater than the rate for same period in 2009 mainly due to successful wells completed during the second half of 2009 and the first half of 2010 in the North Dakota Bakken area, which has an 11.5% production tax rate.

Table of Contents

Depreciation, Depletion and Amortization. Our DD&A expense decreased $5.7 million in 2010 as compared to the second quarter of 2009. The components of our DD&A expense were as follows (in thousands):

	Three Months Ended June 30,	
	2010	2009
Depletion	$92,245	$97,989
Depreciation	514	767
Accretion of asset retirement obligations	1,824	1,559
Total	$94,583	$100,315

DD&A decreased in the second quarter of 2010 primarily due to $5.7 million in lower depletion expense between periods. This net decrease in depletion of $5.7 million was the result of $22.2 million in lower depletion expense due to a decline in our depletion rate between periods, which effect was largely offset by $16.5 million in higher oil and gas volumes produced during the second quarter of 2010. On a BOE basis, our DD&A rate of $16.09 for the second quarter of 2010 was 19% lower than the rate of $19.93 for the same period in 2009. The primary factors causing this lower DD&A rate was a net increase in our estimated proved reserves of 35.9 MMBOE as of December 31, 2009, as well as proved developed and total proved reserves added during the first half of 2010. These increases in proved reserves drove our DD&A rate substantially lower during the first half of 2010, as compared to our DD&A rate during the second quarter of 2009. This factor was partially offset by (i) $455.2 million in drilling and development expenditures incurred during the past twelve months and (ii) the significant expenditures necessary to develop proved undeveloped reserves, particularly related to the enhanced oil recovery projects in the Postle and North Ward Estes fields, whereby the development of proved undeveloped reserves does not increase existing quantities of proved reserves. Under the successful efforts method of accounting, costs to develop proved undeveloped reserves are added into the DD&A rate when incurred.

Exploration and Impairment Costs. Our exploration and impairment costs increased $4.7 million in the second quarter of 2010, as compared to the second quarter of 2009. The components of our exploration and impairment costs were as follows (in thousands):

	Three Months Ended June 30,	
	2010	2009
Exploration	$10,652	$6,178
Impairment	3,857	3,614
Total	$14,509	$9,792

Exploration costs increased $4.5 million during the second quarter of 2010 as compared to the same period in 2009 primarily due to an increase in G&G activity, partially offset by reduced rig termination fees recognized in the second quarter of 2010. G&G costs amounted to $6.4 million during the second quarter of 2010, as compared to $1.8 million during the same period in 2009. No rig termination fees were paid during the second quarter of 2010, while rig termination fees totaled $1.3 million during the second quarter of 2009. The impairment charges in the second quarter of 2010 and 2009 were primarily related to the amortization of leasehold costs associated with individually insignificant unproved properties.

Table of Contents

General and Administrative Expenses. We report general and administrative expenses net of third party reimbursements and internal allocations. The components of our general and administrative expenses were as follows (in thousands):

	Three Months Ended June 30,	
	2010	2009
General and administrative expenses	$28,440	$22,687
Reimbursements and allocations	(13,038)	(12,405)
General and administrative expense, net	$15,402	$10,282

General and administrative expense before reimbursements and allocations increased $5.8 million to $28.4 million during the second quarter of 2010. The largest component of the increase related to $4.0 million in higher accrued distributions under the Plan between periods. Plan distributions increased due to a higher level of Plan net revenues (which have been reduced by lease operating expenses and production taxes pursuant to the Plan formula) resulting from higher overall production and higher oil and natural gas prices during the second quarter of 2010 as compared to the same period in 2009. In addition to these higher accrued Plan distributions, there was $2.3 million in additional employee compensation in the second quarter of 2010 related to higher stock compensation between periods, personnel hired during the past twelve months and general pay increases. The increase in reimbursements and allocations in the second quarter of 2010 was primarily caused by higher salary costs and a greater number of field workers on operated properties. Our general and administrative expenses as a percentage of oil and natural gas sales decreased from 5% for the second quarter of 2009 to 4% for the second quarter of 2010.

Interest Expense. The components of our interest expense were as follows (in thousands):

	Three Months Ended June 30,	
	2010	2009
Senior Subordinated Notes	$11,081	$10,977
Credit Agreement	1,963	4,940
Amortization of debt issue costs and debt discount	2,508	3,183
Other	437	482
Capitalized interest	(357)	(889)
Total	$15,632	$18,693

The decrease in interest expense of $3.1 million between periods was mainly due to lower borrowings outstanding under our credit agreement during the second quarter of 2010, which reduced the interest on our credit agreement by $3.0 million. The decrease in interest on our credit agreement was partially offset by lower amounts of capitalized interest between periods. Our weighted average debt outstanding during the second quarter of 2010 was $719.5 million versus $1,206.0 million for the second quarter of 2009. Our weighted average effective cash interest rate was 7.3% during the second quarter of 2010 compared to 5.6% during the second quarter of 2009.

Change in Production Participation Plan Liability. For the three months ended June 30, 2010, this non-cash expense was $4.7 million, an increase of $1.5 million as compared to the same period in 2009. This expense in 2010 represents the change in the vested present value of estimated future payments to be made after 2011 to participants under our Plan. Although payments take place over the life of the Plan’s oil and gas properties, which for some properties is over 20 years, we expense the present value of estimated future payments over the Plan’s five-year vesting period. This expense in 2010 and 2009 primarily reflected (i) changes to future cash flow estimates stemming from the volatile commodity price environment during each respective year, (ii) recent drilling activity and property acquisitions, and (iii) employees’ continued vesting in the Plan. Assumptions that are used to calculate this liability are subject to estimation and will vary from year to year based on the current market for oil and gas, discount rates and overall market conditions.

Table of Contents

Commodity Derivative (Gain) Loss, Net. During the past three years, we entered into commodity derivative contracts that we did not designate as cash flow hedges. In addition, effective April 1, 2009, we elected to de-designate all of our commodity derivative contracts that had been previously designated as cash flow hedges as of March 31, 2009 and have elected to discontinue hedge accounting prospectively. Accordingly, beginning April 1, 2009 all of our derivative contracts are marked-to-market each quarter with fair value gains and losses recognized immediately in earnings. Cash flow is only impacted to the extent that actual cash settlements under these contracts result in making or receiving a payment from the counterparty, and such cash settlement gains and losses are also recorded immediately to earnings as commodity derivative (gain) loss, net.

The components of our commodity derivative (gain) loss, net were as follows (in thousands):

	Three Months Ended June 30, 2010	2009
Change in unrealized (gains) losses on derivative contracts	$(66,491)	$156,544
Realized cash settlement losses	2,995	3,988
Total	$(63,496)	$160,532

The change in unrealized (gains) losses on derivative contracts increased by $223.0 million between periods due to the fact that (i) there was a significant downward shift in the forward price curve for NYMEX crude oil during the three months ended June 30, 2010 as compared to the upward shift in the same forward price curve during the three months ended June 30, 2009, and (ii) we averaged 16.7 MMBbls of crude oil hedged during the three months ended June 30, 2010, while we averaged 20.4 MMBbls of crude oil hedged during the three months ended June 30, 2009.

Income Tax Expense (Benefit). Income tax expense totaled $77.2 million for the second quarter of 2010, as compared to a $52.1 million income tax benefit for the second quarter of 2009. Our effective income tax rate increased from 35.9% for the second quarter of 2009 to 38.1% for the second quarter of 2010.

Net Income (Loss) Available to Common Shareholders. Net income (loss) available to common shareholders increased from a $93.2 million loss during the second quarter of 2009 to $119.9 million in income for the second quarter of 2010. The primary reasons for this increase include a 17% increase in equivalent volumes sold; a 40% increase in oil prices (net of hedging); a 46% increase in natural gas prices (net of hedging); higher unrealized commodity derivative gains; lower DD&A and interest expense. These positive factors were partially offset by lower gain on sale of properties and amortization of deferred gain on sale; higher production taxes, lease operating expenses, dividends paid on preferred stock, general and administrative expenses, exploration and impairment, Production Participation Plan expense and income taxes during the second quarter of 2010.

Liquidity and Capital Resources

Overview. At June 30, 2010, our debt to total capitalization ratio was 20.9%, we had $15.5 million of cash on hand and $2,460.3 million of stockholders' equity. At December 31, 2009, our debt to total capitalization ratio was 25.6%, we had $12.0 million of cash on hand and $2,270.1 million of stockholders' equity. In the first half of 2010, we generated $440.1 million of cash provided by operating activities, an increase of $295.1 million over the same period in 2009. Cash provided by operating activities increased primarily due to higher oil production volumes and higher average sales prices for both crude oil and natural gas. These positive factors were partially offset by lower gas production volumes in the first half of 2010, as well as increased production taxes and lease operating expenses during the first half of 2010 as compared to the same period in 2009. Cash flows from operating activities were used to finance net repayments under our credit agreement totaling $130.0 million, payment of preferred stock dividends totaling $10.8 million, $264.0 million of drilling and development expenditures paid in the first six months of 2010 and $34.0 million of cash acquisition capital expenditures. The following chart details our exploration and development expenditures incurred by region during the first six months of 2010 (in thousands):

Table of Contents

	Drilling and Development Expenditures (1)	Exploration Expenditures	Total Expenditures	% of Total
Rocky Mountains	$182,052	$10,132	$192,184	63%
Permian Basin	83,047	5,058	88,105	29%
Mid-Continent	15,903	734	16,637	5%
Gulf Coast	3,306	3,759	7,065	2%
Michigan	3,270	32	3,302	1%
Total incurred	287,578	19,715	307,293	100%
Increase in accrued capital expenditures	(26,160)	-	(26,160)	
Total paid	$261,418	$19,715	$281,133	

(1) For purposes of this schedule, exploratory dry hole costs of $2.6 million are excluded from drilling and development expenditures as reported on the statement of cash flows and instead have been included in exploration expenditures above.

We continually evaluate our capital needs and compare them to our capital resources. Our current 2010 capital budget for exploration and development expenditures is $830.0 million, which we expect to fund with net cash provided by our operating activities. Our 2010 capital budget of $830.0 million represents a significant increase from the $479.8 million incurred on exploration and development expenditures during 2009. This increased capital budget is due to increased discretionary cash flow resulting primarily from higher oil and natural gas prices experienced during the second half of 2009 and continuing into the first half of 2010, along with our available inventory of high-quality prospects for development and exploration. Although we have no specific budget for property acquisitions in 2010, we will continue to selectively pursue property acquisitions that complement our existing core property base. We believe that if attractive acquisition opportunities arise or exploration and development expenditures exceed $830.0 million, we will be able to finance additional capital expenditures with cash on hand, cash flows from operating activities, borrowings under our credit agreement, issuances of additional debt or equity securities, or agreements with industry partners. Our level of exploration and development expenditures is largely discretionary, and the amount of funds devoted to any particular activity may increase or decrease significantly depending on available opportunities, commodity prices, cash flows and development results, among other factors. We believe that we have sufficient liquidity and capital resources to execute our business plans over the next 12 months and for the foreseeable future. In addition, with our expected cash flow streams, commodity price hedging strategies, current liquidity levels, access to debt and equity markets and flexibility to modify future capital expenditure programs, we expect to be able to fund all planned capital programs, dividend distributions and debt repayments; comply with our debt covenants; and meet other obligations that may arise from our oil and gas operations.

Credit Agreement. As of June 30, 2010, Whiting Oil and Gas Corporation ("Whiting Oil and Gas"), our wholly-owned subsidiary, had a credit agreement with a syndicate of banks, and this credit facility has a borrowing base of $1.1 billion with $1,069.6 million of available borrowing capacity, which is net of $30.0 million in borrowings and $0.4 million in letters of credit outstanding. The credit agreement provides for interest only payments until April 2012, when the agreement expires and all outstanding borrowings are due.

Table of Contents

The borrowing base under the credit agreement is determined at the discretion of the lenders, based on the collateral value of the proved reserves that have been mortgaged to the lenders, and is subject to regular redeterminations on May 1 and November 1 of each year, as well as special redeterminations described in the credit agreement, in each case which may reduce the amount of the borrowing base. Whiting Oil and Gas may, throughout the term of the credit agreement, borrow, repay and reborrow up to the borrowing base in effect at any given time. A portion of the revolving credit agreement in an aggregate amount not to exceed $50.0 million may be used to issue letters of credit for the account of Whiting Oil and Gas or other designated subsidiaries of ours. As of June 30, 2010, $49.6 million was available for additional letters of credit under the agreement.

The credit agreement contains restrictive covenants that may limit our ability to, among other things, incur additional indebtedness, sell assets, make loans to others, make investments, enter into mergers, enter into hedging contracts, incur liens and engage in certain other transactions without the prior consent of our lenders. The credit agreement requires us, as of the last day of any quarter, (i) to not exceed a total debt to the last four quarters' EBITDAX ratio (as defined in the credit agreement) of 4.5 to 1.0 for quarters ending prior to and on September 30, 2010, 4.25 to 1.0 for quarters ending December 31, 2010 to June 30, 2011 and 4.0 to 1.0 for quarters ending September 30, 2011 and thereafter, (ii) to have a consolidated current assets to consolidated current liabilities ratio (as defined in the credit agreement and which includes an add back of the available borrowing capacity under the credit agreement) of not less than 1.0 to 1.0, and (iii) to not exceed a senior secured debt to the last four quarters' EBITDAX ratio (as defined in the credit agreement) of 2.5 to 1.0. Except for limited exceptions, which include the payment of dividends on our 6.25% convertible perpetual preferred stock, the credit agreement restricts our ability to make any dividend payments or distributions on our common stock or principal payments on our senior notes. We were in compliance with our covenants under the credit agreement as of June 30, 2010.

For further information on the interest rates and loan security related to our credit agreement, refer to the Long-Term Debt footnote in the Notes to Consolidated Financial Statements.

Senior Subordinated Notes. In October 2005, we issued at par $250.0 million of 7% Senior Subordinated Notes due 2014. In April 2005, we issued $220.0 million of 7.25% Senior Subordinated Notes due 2013. These notes were issued at 98.507% of par, and the associated discount is being amortized to interest expense over the term of these notes. In May 2004, we issued $150.0 million of 7.25% Senior Subordinated Notes due 2012. These notes were issued at 99.26% of par, and the associated discount is being amortized to interest expense over the term of these notes.

The indentures governing the notes restrict us from incurring additional indebtedness, subject to certain exceptions, unless our fixed charge coverage ratio (as defined in the indentures) is at least 2.0 to 1. If we were in violation of this covenant, then we may not be able to incur additional indebtedness, including under Whiting Oil and Gas Corporation’s credit agreement. Additionally, the indentures governing the notes contain restrictive covenants that may limit our ability to, among other things, pay cash dividends, redeem or repurchase our capital stock or our subordinated debt, make investments or issue preferred stock, sell assets, consolidate, merge or transfer all or substantially all of the assets of ours and our restricted subsidiaries taken as a whole and enter into hedging contracts. These covenants may potentially limit the discretion of our management in certain respects. We were in compliance with these covenants as of June 30, 2010. However, a substantial or extended decline in oil or natural gas prices may adversely affect our ability to comply with these covenants in the future.

Table of Contents

Schedule of Contractual Obligations. The table below does not include our June 30, 2010 Production Participation Plan liability of $75.1 million, since we cannot determine with accuracy the timing or amounts of future payments. The following table summarizes our obligations and commitments as of June 30, 2010 to make future payments under certain contracts, aggregated by category of contractual obligation, for specified time periods (in thousands):

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (a)	$ 650,000	$ -	$ 400,000	$ 250,000	$ -
Cash interest expense on debt (b)	129,128	45,031	73,889	10,208	-
Asset retirement obligation (c)	81,477	9,261	2,355	8,034	61,827
Tax sharing liability (d)	23,301	1,857	3,320	18,124	-
Derivative contract liability fair value (e)	100,019	26,269	62,709	11,041	-
Purchasing obligations (f)	124,938	37,314	66,285	21,339	-
Drilling rig contracts (g)	75,732	39,698	36,034	-	-
Operating leases (h)	10,805	3,284	6,494	1,027	-
Total	$ 1,195,400	$ 162,714	$ 651,086	$ 319,773	$ 61,827

(a) Long-term debt consists of the 7.25% Senior Subordinated Notes due 2012 and 2013, the 7% Senior Subordinated Notes due 2014 and the outstanding borrowings under our credit agreement, and assumes no principal repayment until the due date of the instruments.

(b) Cash interest expense on the 7.25% Senior Subordinated Notes due 2012 and 2013 and the 7% Senior Subordinated Notes due 2014 is estimated assuming no principal repayment until the due date of the instruments. Cash interest expense on the credit agreement is estimated assuming no principal repayment until the instrument due date and is estimated at a fixed interest rate of 2.4%.

(c) Asset retirement obligations represent the present value of estimated amounts expected to be incurred in the future to plug and abandon oil and gas wells, remediate oil and gas properties and dismantle their related facilities.

(d) Amounts shown represent the present value of estimated payments due to Alliant Energy based on projected future income tax benefits attributable to an increase in our tax bases. As a result of the Tax Separation and Indemnification Agreement signed with Alliant Energy, the increased tax bases are expected to result in increased future income tax deductions and, accordingly, may reduce income taxes otherwise payable by us. Under this agreement, we have agreed to pay Alliant Energy 90% of the future tax benefits we realize annually as a result of this step up in tax basis for the years ending on or prior to December 31, 2013. In 2014, we will be obligated to pay Alliant Energy the present value of the remaining tax benefits assuming all such tax benefits will be realized in future years.

(e) The above derivative obligation at June 30, 2010 consists of an $89.0 million fair value liability for derivative contracts we have entered into on our own behalf, primarily in the form of costless collars, to hedge our exposure to crude oil price fluctuations. With respect to our open derivative contracts at June 30, 2010 with certain counterparties, the forward price curve for crude oil generally exceeded the price curve that was in effect when these contracts were entered into, resulting in a derivative fair value liability. If current market prices are higher than a collar's price ceiling when the cash settlement amount is calculated, we are required to pay the contract counterparties. The ultimate settlement amounts under our derivative contracts are unknown, however, as they are subject to continuing market risk and commodity price volatility. The above derivative obligation at June 30, 2010 also consists of an $11.0 million payable to Whiting USA Trust I (the "Trust") for derivative contracts that we have entered into but have in turn conveyed to the Trust. Although these derivatives are in a fair value asset position at quarter end, 75.8% of such derivative assets are due to the Trust under the terms of the conveyance.

(f) We have two take-or-pay purchase agreements, one agreement expiring in March 2014 and one agreement expiring in December 2014, whereby we have committed to buy certain volumes of CO2 for use in enhanced recovery projects in our Postle field in Oklahoma and our North Ward Estes field in Texas. The purchase agreements are with different suppliers. Under the terms of the agreements, we are obligated to purchase a minimum daily volume of CO2 (as calculated on an annual basis) or else pay for any deficiencies at the price in effect when the minimum delivery was to have occurred. The CO2 volumes planned for use in the enhanced recovery projects in the Postle and North Ward Estes fields, however, currently exceed the minimum daily volumes stipulated in these take-or-pay purchase agreements. Therefore, we expect to avoid any payments for deficiencies.

(g) We currently have six drilling rigs under long-term contract, of which two drilling rigs expire in 2010, one in 2011, two in 2012 and one in 2013. All of these rigs are operating in the Rocky Mountains region. As of June 30, 2010, early termination of the remaining contracts would require termination penalties of $46.6 million, which would be in lieu of paying the remaining drilling commitments of $75.7 million. No other drilling rigs working for us are currently under long-term contracts or contracts that cannot be terminated at the end of the well that is currently being drilled. Due to the short-term and indeterminate nature of the time remaining on rigs drilling on a well-by-well basis, such obligations have not been included in this table.

(h) We lease 116,100 square feet of administrative office space in Denver, Colorado under an operating lease arrangement expiring in 2013, and an additional 46,700 square feet of office space in Midland, Texas expiring in 2012.

Table of Contents

Based on current oil and natural gas prices and anticipated levels of production, we believe that the estimated net cash generated from operations, together with cash on hand and amounts available under our credit agreement, will be adequate to meet future liquidity needs, including satisfying our financial obligations and funding our operations and exploration and development activities.

New Accounting Pronouncements

For further information on the effects of recently adopted accounting pronouncements and the potential effects of new accounting pronouncements, refer to the Adopted and Recently Issued Accounting Pronouncements footnote in the Notes to Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Information regarding critical accounting policies and estimates is contained in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Effects of Inflation and Pricing

We experienced increased costs during 2007 and 2008 due to increased demand for oil field products and services, while costs in 2009 remained relatively consistent with 2008. During the first half of 2010, we began to experience moderate cost increases, as the demand for oil field products and services has begun to rise from 2009 levels. The oil and gas industry is very cyclical and the demand for goods and services of oil field companies, suppliers and others associated with the industry put extreme pressure on the economic stability and pricing structure within the industry. Typically, as prices for oil and natural gas increase, so do all associated costs. Conversely, in a period of declining prices, associated cost declines are likely to lag and not adjust downward in proportion to prices. Material changes in prices also impact the current revenue stream, estimates of future reserves, borrowing base calculations of bank loans, depletion expense, impairment assessments of oil and gas properties, and values of properties in purchase and sale transactions. Material changes in prices can impact the value of oil and gas companies and their ability to raise capital, borrow money and retain personnel. While we do not currently expect business costs to materially increase, higher prices for oil and natural gas could result in increases in the costs of materials, services and personnel.

Forward-Looking Statements

This report contains statements that we believe to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than historical facts, including, without limitation, statements regarding our future financial position, business strategy, projected revenues, earnings, costs, capital expenditures and debt levels, and plans and objectives of management for future operations, are forward-looking statements. When used in this report, words such as we "expect," "intend," "plan," "estimate," "anticipate," "believe" or "sho the negative thereof or variations thereon or similar terminology are generally intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements.

Table of Contents

These risks and uncertainties include, but are not limited to: declines in oil or natural gas prices; impacts of the global recession and tight credit markets; our level of success in exploitation, exploration, development and production activities; adverse weather conditions that may negatively impact development or production activities; the timing of our exploration and development expenditures, including our ability to obtain CO_2; inaccuracies of our reserve estimates or our assumptions underlying them; revisions to reserve estimates as a result of changes in commodity prices; risks related to our level of indebtedness and periodic redeterminations of the borrowing base under our credit agreement; our ability to generate sufficient cash flows from operations to meet the internally funded portion of our capital expenditures budget; our ability to obtain external capital to finance exploration and development operations and acquisitions; our ability to identify and complete acquisitions and to successfully integrate acquired businesses; unforeseen underperformance of or liabilities associated with acquired properties; our ability to successfully complete potential asset dispositions; the impacts of hedging on our results of operations; failure of our properties to yield oil or gas in commercially viable quantities; uninsured or underinsured losses resulting from our oil and gas operations; our inability to access oil and gas markets due to market conditions or operational impediments; the impact and costs of compliance with laws and regulations governing our oil and gas operations; our ability to replace our oil and natural gas reserves; any loss of our senior management or technical personnel; competition in the oil and gas industry in the regions in which we operate; risks arising out of our hedging transactions; and other risks described under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. We assume no obligation, and disclaim any duty, to update the forward-looking statements in this report.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our quantitative and qualitative disclosures about market risk for changes in commodity prices and interest rates are included in Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and have not materially changed since that report was filed.

Our outstanding hedges as of July 1, 2010 are summarized below:

Whiting Petroleum Corporation

Commodity	Period	Monthly Volume (Bbl)	Weighted Average NYMEX Floor/Ceiling
Crude Oil	07/2010 to 09/2010	680,000	$62.56/$85.87
Crude Oil	10/2010 to 12/2010	665,000	$62.62/$87.93
Crude Oil	01/2011 to 03/2011	360,000	$47.30/$88.23
Crude Oil	04/2011 to 06/2011	360,000	$47.30/$88.23
Crude Oil	07/2011 to 09/2011	360,000	$47.30/$88.23
Crude Oil	10/2011 to 12/2011	360,000	$47.30/$88.23
Crude Oil	01/2012 to 03/2012	330,000	$47.46/$90.19
Crude Oil	04/2012 to 06/2012	330,000	$47.46/$90.19
Crude Oil	07/2012 to 09/2012	330,000	$47.46/$90.19
Crude Oil	10/2012 to 12/2012	330,000	$47.46/$90.19
Crude Oil	01/2013 to 03/2013	290,000	$47.67/$90.21
Crude Oil	04/2013 to 06/2013	290,000	$47.67/$90.21
Crude Oil	07/2013 to 09/2013	290,000	$47.67/$90.21
Crude Oil	10/2013	290,000	$47.67/$90.21
Crude Oil	11/2013	190,000	$47.22/$85.06

In connection with our conveyance on April 30, 2008 of a term net profits interest to Whiting USA Trust I (the “Trust”), the rights to any future hedge payments we make or receive on certain of our derivative contracts, representing 1,164 MBbls of crude oil and 4,382 MMcf of natural gas from 2010 through 2012, have been conveyed to the Trust, and therefore such payments will be included in the Trust’s calculation of net proceeds. Under the terms of the aforementioned conveyance, we retain 10% of the net proceeds from the underlying properties. Our retention of 10% of these net proceeds combined with our ownership of 2,186,389 Trust units, results in third-party public holders of Trust units receiving 75.8%, while we retain 24.2%, of future economic results of such hedges. No additional hedges are allowed to be placed on Trust assets.

The table below summarizes all of the costless collars that we entered into and then in turn conveyed, as described in the preceding paragraph, to Whiting USA Trust I (of which we retain 24.2% of the future economic results and third-party public holders of Trust units receive 75.8% of the future economic results):

Table of Contents

Conveyed to Whiting USA Trust I

Commodity	Period	Monthly Volume (Bbl)/(MMBtu)	Weighted Average NYMEX Floor/Ceiling
Crude Oil	07/2010 to 09/2010	42,966	$76.00/$134.89
Crude Oil	10/2010 to 12/2010	41,924	$76.00/$135.11
Crude Oil	01/2011 to 03/2011	40,978	$74.00/$139.68
Crude Oil	04/2011 to 06/2011	40,066	$74.00/$140.08
Crude Oil	07/2011 to 09/2011	39,170	$74.00/$140.15
Crude Oil	10/2011 to 12/2011	38,242	$74.00/$140.75
Crude Oil	01/2012 to 03/2012	37,412	$74.00/$141.27
Crude Oil	04/2012 to 06/2012	36,572	$74.00/$141.73
Crude Oil	07/2012 to 09/2012	35,742	$74.00/$141.70
Crude Oil	10/2012 to 12/2012	35,028	$74.00/$142.21
Natural Gas	07/2010 to 09/2010	167,583	$6.00/$14.00
Natural Gas	10/2010 to 12/2010	162,997	$7.00/$14.20
Natural Gas	01/2011 to 03/2011	157,600	$7.00/$17.40
Natural Gas	04/2011 to 06/2011	152,703	$6.00/$13.05
Natural Gas	07/2011 to 09/2011	148,163	$6.00/$13.65
Natural Gas	10/2011 to 12/2011	142,787	$7.00/$14.25
Natural Gas	01/2012 to 03/2012	137,940	$7.00/$15.55
Natural Gas	04/2012 to 06/2012	134,203	$6.00/$13.60
Natural Gas	07/2012 to 09/2012	130,173	$6.00/$14.45
Natural Gas	10/2012 to 12/2012	126,613	$7.00/$13.40

The collared hedges shown above have the effect of providing a protective floor while allowing us to share in upward pricing movements. Consequently, while these hedges are designed to decrease our exposure to price decreases, they also have the effect of limiting the benefit of price increases above the ceiling. For the crude oil contracts listed in both tables above, a hypothetical $5.00 per Bbl change in the NYMEX forward curve as of June 30, 2010 applied to the notional amounts would cause a change in our commodity derivative (gain) loss of $43.7 million. For the natural gas contracts listed above, a hypothetical $1.00 per Mcf change in the NYMEX forward curve as of June 30, 2010 applied to the notional amounts would cause a change in our commodity derivative (gain) loss of $0.6 million.

We have various fixed-price sales contracts with end users for a portion of the natural gas we produce in Colorado, Michigan and Utah. Our estimated future production volumes to be sold under these fixed-price contracts as of July 1, 2010 are summarized below:

Commodity	Period	Monthly Volume (MMBtu)	Weighted Average Price Per MMBtu
Natural Gas	07/2010 to 09/2010	742,333	$5.33
Natural Gas	10/2010 to 12/2010	825,000	$5.29
Natural Gas	01/2011 to 03/2011	779,000	$5.30
Natural Gas	04/2011 to 06/2011	786,667	$5.30
Natural Gas	07/2011 to 09/2011	772,333	$5.30
Natural Gas	10/2011 to 12/2011	772,333	$5.30
Natural Gas	01/2012 to 03/2012	577,000	$5.30
Natural Gas	04/2012 to 06/2012	461,333	$5.41
Natural Gas	07/2012 to 09/2012	465,667	$5.41
Natural Gas	10/2012 to 12/2012	398,667	$5.46

Natural Gas	01/2013 to 03/2013	360,000	$5.47
Natural Gas	04/2013 to 06/2013	364,000	$5.47
Natural Gas	07/2013 to 09/2013	368,000	$5.47
Natural Gas	10/2013 to 12/2013	368,000	$5.47
Natural Gas	01/2014 to 03/2014	330,000	$5.49
Natural Gas	04/2014 to 06/2014	333,667	$5.49
Natural Gas	07/2014 to 09/2014	337,333	$5.49
Natural Gas	10/2014 to 12/2014	337,333	$5.49

Table of Contents

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), our management evaluated, with the participation of our Chairman, President and Chief Executive Officer and our Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of June 30, 2010. Based upon their evaluation of these disclosures controls and procedures, the Chairman, President and Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures were effective as of June 30, 2010 to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. There was no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Whiting is subject to litigation claims and governmental and regulatory proceedings arising in the ordinary course of business. We believe that all claims and litigation we are involved in are not likely to have a material adverse effect on our consolidated financial position, cash flows or results of operations.

Item 1A. Risk Factors

Risk factors relating to us are contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. No material change to such risk factors has occurred during the six months ended June 30, 2010.

Item 6. Exhibits

The exhibits listed in the accompanying index to exhibits are filed as part of this Quarterly Report on Form 10-Q.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, on this 30th day of July, 2010.

WHITING PETROLEUM CORPORATION

By /s/ James J. Volker
James J. Volker
Chairman, President and Chief Executive Officer

By /s/ Michael J. Stevens
Michael J. Stevens
Vice President and Chief Financial Officer

By /s/ Brent P. Jensen
Brent P. Jensen
Controller and Treasurer

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit Description
(31.1)	Certification by the Chairman, President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
(31.2)	Certification by the Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
(32.1)	Written Statement of the Chairman, President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
(32.2)	Written Statement of the Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
(101)	The following materials from Whiting Petroleum Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 are furnished herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009, (ii) the Consolidated Statements of Income for Three and Six Months Ended June 30, 2010 and 2009, (iii) the Consolidated Statements of Cash Flow for the Six Months Ended June 30, 2010 and 2009, (iv) the Consolidated Statements of Stockholders' Equity and Comprehensive Income for the Six Months Ended June 30, 2010 and 2009, and (v) Notes to Consolidated Financial Statements.