Gastar Exploration USA, Inc.
Form S-4/A
June 25, 2008
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As filed with the Securities and Exchange Commission on June 25, 2008

Registration No. 333-150181

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT No. 2

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Gastar Exploration USA, Inc.*

(Exact name of registrant as specified in its charter)

Michigan	**1311**	**98-0570897**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

1331 Lamar Street, Suite 1080

Houston, Texas 77010

(713) 739-1800

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

J. Russell Porter

President

1331 Lamar Street, Suite 1080

Houston, Texas 77010

(713) 739-1800

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Vinson & Elkins L.L.P.

First City Tower, Suite 2500

Houston, Texas 77002

(713) 758-2222

Attn: T. Mark Kelly

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

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

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

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

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

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

* Includes certain registrant guarantors of Gastar Exploration USA, Inc. identified on the following page.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	**Amount to be Registered**	**Proposed Maximum Offering Price Per Note (1)**	**Proposed Maximum Aggregate Offering Price (1)**	**Amount of Registration Fee (2)**
12 3/4% Senior Secured Notes due 2012	$100,000,000	100%	$100,000,000	$3,930
Guarantees of 12 3/4 % Senior Secured Notes due 2012 (3)	(4)	(4)	(4)	(5)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f)(2) of the rules and regulations under the Securities Act.
(2) Calculated by multiplying the aggregate offering amount by 0.00003930.
(3) See inside facing page for table of registrant guarantors.
(4) No separate consideration will be received for the guarantees.
(5) No further fee is payable pursuant to Rule 457(n) of the rules and regulations under the Securities Act.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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ADDITIONAL GUARANTOR REGISTRANTS

EXACT NAME OF ADDITIONAL REGISTRANT AS SPECIFIED IN ITS CHARTER	STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION	PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER	IRS EMPLOYEE IDENTIFICATION NO.
Gaster Exploration Ltd.	Alberta, Canada	1311	98-0570897
Gastar Exploration New South Wales, Inc.	Michigan	1311	38-3234118
Gastar Exploration Victoria, Inc.	Michigan	1311	38-3604620
Gastar Exploration Texas, Inc.	Michigan	1311	38-3559023
Gastar Exploration Texas LP	Delaware	1311	30-0278927
Gastar Exploration Texas LLC	Delaware	1311	30-0278931

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED June 25, 2008

PROSPECTUS

$100,000,000

Gastar Exploration USA, Inc.

Offer to Exchange up to

$100,000,000 of 12 3/4% Senior Secured Notes due 2012

that have been registered under the Securities Act of 1933

for

$100,000,000 of 12 3/4% Senior Secured Notes due 2012

that have not been registered under the Securities Act of 1933

The Exchange Offer will expire at 5:00 pm, New York City time,

on , 2008, unless we extend the date

Terms of the Exchange Offer

We are offering to exchange up to $100.0 million aggregate principal amount of registered 12 3/4% Senior Secured Notes due 2012, which we refer to as the new notes, for any and all of our $100.0 million aggregate principal amount of unregistered 12 3/4% Senior Secured Notes due 2012, which we refer to as the old notes, that were issued on November 29, 2007. The new notes are being issued under the indenture pursuant to which we previously issued the old notes.

We will exchange all outstanding old notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer for an equal principal amount of new notes.

The terms of the new notes are substantially identical to those of the outstanding old notes, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes.

You may withdraw tenders of old notes at any time prior to the expiration of the exchange offer.

The exchange of new notes for old notes should not be a taxable transaction for U.S. federal income tax purposes.

We will not receive any cash proceeds from the exchange offer.

The old notes are, and the new notes will be, guaranteed by each of our existing domestic subsidiaries, future material domestic subsidiaries and by Gastar Exploration Ltd., our parent company.

This investment involves risks. Please read Risk Factors beginning on page 9 for a discussion of the risks that you should consider prior to tendering your outstanding old notes in the exchange offer.

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

The date of this prospectus is , 2008.

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This prospectus is part of a registration statement we filed with the Securities and Exchange Commission, referred to in this prospectus as the SEC. In making your decision to participate in the exchange offer, you should rely only on the information contained in this prospectus and in the accompanying letter of transmittal. We have not authorized anyone to provide you with any other information. If you received any unauthorized information, you must not rely on it. We are not making an offer to sell these securities in any state or jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus, or the documents incorporated by reference into this prospectus, is accurate as of any date other than the date on the front cover of this prospectus or the date of such document incorporated by reference, as the case may be.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. Please read Plan of Distribution .

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PROSPECTUS SUMMARY

The following summary highlights basic information about our business and this offering. It does not contain all of the information that may be important to you and your investment decision. The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this prospectus. Before deciding to exchange your notes, you should carefully read the entire prospectus and should consider, among other things, the matters set forth in Risk Factors . Unless the context otherwise indicates or requires, references in this prospectus to Gastar, the Company, us, our or we are to Gastar Exploration USA, Inc., Gastar Exploration Ltd., our parent company, and its consolidated subsidiaries. Throughout this prospectus, we refer to this exchange offer as the exchange offer .

Background of the Exchange Offer

On November 29, 2007, Gastar Exploration USA, Inc. (Gastar USA) a wholly owned subsidiary of Gastar Exploration Ltd., sold $100.0 million aggregate principal amount of 12 $^{3}/4$% Senior Secured Notes due 2012 (the 12 $^{3}/4$% Senior Secured Notes) at an issue price of 99.50%. Gastar USA is obligated to prepare and file with the Securities and Exchange Commission (the SEC) within 150 days of the issue date of the 12 $^{3}/4$% Senior Secured Notes, or April 27, 2008, a registration statement to exchange the 12 $^{3}/4$% Senior Secured Notes for registered, publicly tradable notes that have substantially identical terms as the 12 $^{3}/4$% Senior Secured Notes. Gastar USA is to use its best efforts to cause the registration statement to be declared effective within 240 days of the issue date of the 12 $^{3}/4$% Senior Secured Notes, or July 24, 2008. Gastar USA has agreed to offer new notes in exchange for the 12 $^{3}/4$% Senior Secured Notes as soon as is practicable after the registration statement has become effective, unless prohibited by law or SEC policy, and to file a shelf registration statement for the resale of the 12 $^{3}/4$% Senior Secured Notes if Gastar USA cannot consummate the exchange offer within 290 days of the date of the issuance of the 12 $^{3}/4$% Senior Secured Notes, or September 12, 2008, and in certain other circumstances. In the event Gastar USA fails to meet its registration obligations as set forth above, Gastar USA has agreed to pay liquidated damages to the holders of the 12 $^{3}/4$% Senior Secured Notes in the form of additional cash interest payments on the 12 $^{3}/4$% Senior Secured Notes equal to 0.25% per annum for the first 90-day period, increasing to a maximum of 0.50% per annum for each subsequent 90-day period. We refer to this offer to exchange new notes for old notes in accordance with the terms set forth in this prospectus and the accompanying letter of transmittal as the exchange offer . You are entitled to exchange in the exchange offer your old notes for new notes.

You should read the discussion under the headings Description of the New Notes , The Exchange Offer and Description of the Notes for further information regarding the exchange offer and the new notes.

Our Company

We are a Houston, Texas-based independent natural gas and oil company engaged in the exploration, development and production of natural gas and oil in the United States and Australia. Our domestic drilling activities are focused on exploiting our multi-year inventory of drilling locations in the deep Bossier sands and Knowles Limestone plays of East Texas and in the Powder River Basin of Wyoming. Our operations in Australia are focused on the development of coal bed methane (CBM) rights in New South Wales, Australia. We believe that our dual focus enables us to generate high initial production and long-lived producing wells with strong cash flow dynamics from our East Texas activities while also providing us with significant reserve upside through the development of our Australian resource plays. Gastar USA is a Michigan corporation. Our parent, Gastar Exploration Ltd., a Canadian corporation incorporated in Alberta (Parent), is a publicly traded company listed on the American Stock Exchange under the ticker symbol GST and on the Toronto Stock Exchange under the ticker symbol YGA with an equity market capitalization of $491 million and CDN$493 million, respectively, as of June 17, 2008.

Hilltop Area, East Texas. The majority of our activities has been in the deep Bossier play in the Hilltop area, located in East Texas approximately midway between Dallas and Houston in Leon and Robertson Counties. This exploration play has attracted some of the largest and most active operators in the U.S. Wells in this area target multiple potentially productive natural gas formations and are typically characterized by high initial production, significant decline rates and long-lived reserves.

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Our first successful operated well was spudded in 2003 and placed on production in September 2004. As of December 31, 2007, we had successfully completed 14 out of 15 deep Bossier wells and four out of four Knowles Limestone wells. During 2007, we drilled and successfully completed a total of five gross (3.0 net) Bossier wells and three gross (1.5 net) Knowles Limestone wells. For the three months ended March 31, 2008, net production from the Hilltop area averaged 20.9 MMcf per day. As of March 31, 2008, we held a total of approximately 37,500 gross (16,250 net) acres of oil and gas leaseholds in East Texas.

Southeastern Australia. The exploration and development of our CBM assets in Australia has the potential for significant reserve and production growth. We own a 35% working interest in each of three petroleum exploration licenses, PEL 238, PEL 433 and PEL 434, in the Gunnedah Basin of New South Wales. These licenses include over 6.0 million gross (2.1 million net) acres. During 2008, we intend to expand our pilot production drilling program on the PEL 238 concession working with Eastern Star Gas Limited (ASX:ESG), our working interest partner and license operator. Through our planned development program in PEL 238, consisting of additional production pilot projects and core hole drilling, we intend to convert a portion of the significant resource potential into certifiable proved and probable reserves as we move towards commercial production. The certification of proved reserves and the growth of our probable reserves is necessary to support the development of infrastructure to service growing natural gas demand in New South Wales. Contracts for the construction of this infrastructure, as well as gas sales or use contracts, are not expected until late 2008 and will be required before recognition of proved reserves in PEL 238 under SEC guidelines. Eastern Star Gas Limited owns a 65% interest in PEL 238.

Powder River Basin, Wyoming and Montana. We own an approximate 40% average working interest in approximately 55,000 gross (21,900 net) acres in the Powder River Basin of Wyoming and Montana. The Powder River Basin has been an important natural gas producing area for nearly 100 years. Generally, CBM wells are shallow and less costly than conventional natural gas wells. Our primary areas of activity in the Powder River Basin are the Squaw Creek, Ring of Fire and adjacent fields, all of which are located north of Gillette, Wyoming in an active drilling area.

During 2007, we participated in the drilling of approximately 27 (12.5 net) CBM wells. As of December 31, 2007, we had an interest in 283 gross (125.2 net) productive CBM wells producing in the Basin. For the year ended December 31, 2007, our average net production from our CBM properties in the Powder River Basin was approximately 5.1 MMcf per day. We anticipate continuing our recompletion and drilling program in 2008. Our activity level will be influenced by regional natural gas prices, which remained lower than its historic prices relative to Gulf Coast Henry Hub natural gas prices during late 2007. Regional prices in early 2008 have rebounded to, or above, historic price levels. For the three months ended March 31, 2008, our average net production from our CBM properties in the Powder River Basin was approximately 5.6 MMcf per day.

Settlement with GeoStar Corporation. On June 12, 2008, our Parent entered into a settlement agreement with GeoStar Corporation (GeoStar) to settle all outstanding disputes. The settlement included an upfront cash payment by our Parent of approximately $25.7 million plus the issuance to GeoStar of a warrant to purchase 10 million of our Parent s common shares (the Warrant). Pursuant the settlement, GeoStar will assign to our Parent all of GeoStar s oil and gas interests in West Virginia and Pennsylvania while our Parent will acknowlede GeoStar s clear title to an exploration license (EL 4416) and assign its interest to GeoStar s Australian subsidiary in an exploration license application (EL 4968), both of which are in the Gippsland Basin of Victoria, Australia. As of December 31, 2007, EL 4416 and EL 4968 had no attributable proved reserves or production.

Certain other corrective lease assignments and releases are being made between our Parent and GeoStar and each have mutually agreed to release all claims against each other, their affiliates and current and past officers and directors. For more discussion of the settlement, please see Business Recent Developments Settlement of Arbitration and Litigation with GeoStar and Affiliates .

Proved Reserves. Netherland Sewell & Associates, Inc. (NSA), our independent petroleum engineers, has estimated our total domestic proved reserves as of December 31, 2007, to be 54.9 Bcfe under SEC definition and guidelines, consisting almost entirely of natural gas.

Company Information. Our executive offices are located at 1331 Lamar Street, Suite 1080, Houston, Texas 77010. Our telephone number is (713) 739-1800, and our website address is *http://www.gastar.com.* Information on our website does not constitute part of this prospectus.

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The Exchange Offer

On November 29, 2007, we completed a private offering of $100.0 million in aggregate principal of the old notes. As part of this private offering, we entered into a registration rights agreement with the initial purchasers of the old notes in which we agreed, among other things, to deliver this prospectus to you and to use our best efforts to complete the exchange offer. The following is a summary of the exchange offer.

Old Notes	12 3/4 Senior Secured Notes due 2012, which were issued on November 29, 2007.
New Notes	12 3/4 Senior Secured Notes due 2012. The terms of the new notes are substantially identical to those terms of the outstanding old notes, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes.
Exchange Offer	We are offering to exchange up to $100.0 million aggregate principal amount of our new notes that have been registered under the Securities Act of 1933, as amended (the Securities Act), for an equal amount of our outstanding old notes that have not been registered under the Securities Act to satisfy our obligations under the registration rights agreement. The new notes will evidence the same debt as the old notes and will be issued under and will be entitled to the benefits of the same indenture that governs the old notes. Holders of the old notes do not have any appraisal or dissenter rights in connection with the exchange offer. Because the new notes will be registered, the new notes will not be subject to transfer restrictions, and holders of old notes that have tendered and had their old notes accepted in the exchange offer will have no registration rights.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2008, unless we decide to extend it.
Procedures for Tendering Old Notes	All of the old notes are held in book-entry form through the facilities of The Depository Trust Company, or DTC. To participate in the exchange offer, you must follow the automatic tender offer program, or ATOP, procedures established by DTC for tendering notes held in book-entry form. The ATOP procedures require that the exchange agent receive, prior to the expiration date of the exchange offer, a computer-generated message known as an agent s message that is transmitted through ATOP and that DTC confirm that DTC has received instructions to exchange your notes and you agree to be bound by the terms of the letter of transmittal in Annex A hereto. For more details, please read The Exchange Offer Terms of the Exchange and The Exchange Offer Procedures for Tendering .

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Guaranteed Delivery Procedures	None.
Withdrawal; Non-Acceptance	You may withdraw your tender of old notes at any time prior to the expiration date. To withdraw, you must submit a notice of withdrawal to the exchange agent using ATOP procedures before 5:00 p.m., New York City time, on the expiration date of the exchange offer. Please read The Exchange Offer Withdrawal Rights .
U.S. Federal Income Tax Considerations	The exchange of new notes for old notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. Please read the discussion under the caption Certain U.S. Federal Tax Considerations for more information regarding the tax consequences to you of the exchange offer.
Use of Proceeds	The issuance of the new notes will not provide us with any new proceeds. We are making this exchange offer solely to satisfy our obligations under the registration rights agreement.
Fees and Expenses	We will pay all of our expenses incident to the exchange offer.
Exchange Agent	We have appointed Wells Fargo Bank, National Association as exchange agent for the exchange offer. You can find the address, telephone number and fax number of the exchange agent under the caption The Exchange Offer Exchange Agent .

Resales of New Notes	Based on interpretations by the staff of the SEC, as set forth in no-action letters issued to third parties that are not related to us, we believe that the new notes you receive in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act so long as: the new notes are being acquired in the ordinary course of business; you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate in the distribution of the new notes issued to you in the exchange offer; you are not our affiliate; and you are not a broker-dealer tendering old notes acquired directly from us for your account. The SEC has not considered this exchange offer in the context of a no-action letter, and we cannot assure you that the SEC would make similar determinations with respect to this exchange offer. If any of these conditions are not satisfied, or if our belief is not accurate, and you transfer any new notes issued to you in the exchange offer without delivering a resale prospectus meeting the requirements of the Securities Act or without an exemption from registration of your new notes from those requirements, you may incur liability under the Securities Act. We will not assume, nor will we indemnify you against, any such liability. Each broker-dealer that receives new notes for its own account in exchange for old notes, where the old notes were acquired by such broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. Please read Plan of Distribution . Please read The Exchange Offer Resales of New Notes for more information regarding resales of the new notes.
Consequences of Not Exchanging Your Old Notes	If you do not exchange your old notes in this exchange offer, you will no longer be able to require us to register your old notes under the Securities Act, except in the limited circumstances provided under the registration rights agreement. In addition, you will not be able to resell, offer to resell or otherwise transfer your old notes unless we have registered the old notes under the Securities Act, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act. For information regarding the consequences of not tendering your old notes and our obligation to file a registration statement, please read The Exchange Offer Consequences of Failure to Exchange Outstanding Securities and Description of the Notes .

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Description of the New Notes

The terms of the new notes and those of the outstanding old notes are substantially identical, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes. As a result, the new notes will not bear legends restricting their transfer and will not have the benefit of the registration rights and additional interest provisions contained in the old notes. The new notes represent the same debt as the old notes for which they are being exchanged. Both the old notes and the new notes are governed by the same indenture.

The following is a summary of the terms of the new notes. It may not contain all the information that is important to you. For a more detailed description of the new notes, please read Description of the Notes .

Issuer	Gastar Exploration USA, Inc.
Securities Offered	$100.0 million aggregate principal amount of 12 $^{3}/4$% Senior Secured Notes due 2012. The new notes are being offered as additional debt securities under the indenture pursuant to which we previously issued the old notes.
Interest	Interest on the new notes will accrue at the rate of 12 $^{3}/4$% per year and will be payable semi-annually in arrears on each June 1 and December 1, commencing on June 1, 2008.
Maturity Date	The new notes will mature on December 1, 2012.
Guarantees	The notes will be fully and unconditionally guaranteed on a senior secured basis by each of our existing domestic subsidiaries and future material domestic subsidiaries and Gastar Exploration Ltd., our parent company.
Use of Proceeds	The issuance of the new notes will not provide us with any new proceeds. We are making this exchange offer solely to satisfy our obligations under our registration rights agreement.
Ranking	The new notes will be: equal in right of payment with all our existing and future senior indebtedness; and senior in right of payment to any future subordinated indebtedness. The guarantees of each guarantor will be: equal in right of payment with all of that guarantor s existing and future senior indebtedness, including guarantees; and senior in right of payment to all of that guarantor s future subordinated indebtedness.
Collateral	The new notes and the guarantees will be secured by a lien on our principal oil and gas properties and other assets that secure our revolving credit facility, subject to certain exceptions. Pursuant to the terms of an intercreditor agreement, the lien securing the new notes will be contractually subordinated to the liens that secure our revolving credit facility and certain hedging obligations. Consequently, the new notes and the guarantees will be effectively subordinated to our revolving credit facility to the extent of the value of such assets.
Optional Redemption	We may redeem the new notes, in whole or in part, at any time on and after June 1, 2010 at the redemption prices set forth herein, plus accrued and unpaid interest.

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	We may redeem some or all of the new notes at any time prior to June 1, 2010 at the make-whole redemption price set forth in Description of the Notes .
	In addition, prior to June 1, 2010, we may redeem up to 35% of the new notes with the net cash proceeds from specified equity offerings at a redemption price equal to 112.750% of the aggregate principal amount, plus accrued and unpaid interest to the date of redemption.
	If a change of control, as defined in the indenture, occurs prior to December 1, 2008, the new notes may be redeemed at our option at a price of 112.750% of the principal amount, plus accrued and unpaid interest to the date of redemption. See Description of the Notes Optional Redemption .
Change of Control Offer	If a change of control, as defined in the indenture, occurs, each holder of new notes will have the right to require us to repurchase all or any part of its new notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest.
Asset Sale Proceeds	If we engage in certain asset sales within a period of time we generally must use the net cash proceeds from such sales to repay outstanding senior debt, to acquire another company in our industry or to invest in our own business, or we must make an offer to purchase a principal amount of the new notes equal to the excess net cash proceeds. The purchase price of each new note so purchased will be 100% (or, in some cases, a higher percentage) of its principal amount, plus accrued and unpaid interest.
Certain Covenants	The indenture governing the new notes will, among other things, limit our ability and the ability of our Parent and our restricted subsidiaries to: transfer or sell assets; make investments; pay dividends, redeem subordinated indebtedness or make other restricted payments; incur or guarantee additional indebtedness or issue disqualified capital stock; create or incur liens; incur dividend or other payment restrictions affecting certain subsidiaries; consummate a merger, consolidation or sale of all or substantially all of our assets; enter into transactions with affiliates; and engage in businesses other than the oil and gas business.
Transfer Restrictions	The new notes generally will be freely transferable, but will also be new securities for which there will not initially be a market. There can be no assurance as to the development or liquidity of any market for the new notes.

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Risk Factors

Investing in the new notes involves substantial risk. Please read Risk Factors beginning on page 9 for a discussion of certain factors you should consider in evaluating an investment in the new notes.

In addition to the Risk Factors, you should be aware that we have had a significant deficiency in fixed change coverage in prior years. See Ratio of Earnings to Fixed Changes .

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RISK FACTORS

An investment in the new notes involves a significant degree of risk. You should consider carefully these risks together with all of the other information included in this prospectus and the documents to which we have referred you before deciding whether to invest in the new notes. All of the risks described below could materially and adversely affect our business prospects, financial condition, operating results and cash flows, which in turn could adversely affect our ability to satisfy our obligations under the new notes and the guarantees of the new notes.

Risks Relating to the New Notes and Our Other Indebtedness

We have incurred significant net losses since our inception and may incur additional significant net losses in the future.

We have not been profitable since we started our business. We incurred net losses of $30.5 million, $84.8 million and $25.7 million for the years ended December 31, 2007, 2006 and 2005, respectively. Our capital has been employed in an increasingly expanding natural gas and oil exploration and development program with the focus on finding significant natural gas and oil reserves and producing from them over the long-term rather than focusing on achieving immediate net income. The uncertainties described in this section may impede our ability to ultimately find, develop and exploit natural gas and oil reserves. As a result, we may not be able to achieve or sustain profitability or positive cash flows from operating activities in the future.

We have a substantial amount of debt, which may adversely affect our cash flow and our ability to operate our business, to remain in compliance with debt covenants and make payments on our debt.

As March 31, 2008, we had total debt of $133.3 million of which $100.0 million consisted of the 12 $^3/_4$% Senior Secured Notes, $30.0 million consisted of convertible senior debentures due 2009 and $3.3 million consisted of subordinated unsecured notes due 2009. Our level of indebtedness affects our operations in several ways, including the following:

- We may have difficulty borrowing money in the future for acquisitions, capital expenditures or to meet our operating expenses or other general corporate obligations;

- We will need to use a substantial portion of our cash flows to pay principal and interest on our debt, which will reduce the amount of money we have for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other business activities;

- We have substantial capital requirements, and we may be unable to obtain needed financing on satisfactory terms;

- We may be more vulnerable to economic downturns and adverse developments in our industry or the economy in general, especially declines in natural gas and oil prices;

- The covenants contained in the agreements governing our outstanding indebtedness limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments; and

- Our debt covenants may affect our flexibility in planning for and reacting to changes in the economy or in our industry.

We may incur substantially more debt, which may intensify the risks described above, including our ability to service our indebtedness.

We may need to incur substantially more debt in the future. Although the indenture governing the 12 $^3/_4$% Senior Secured Notes and our revolving credit facility contain restrictions on our incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and under certain circumstances, indebtedness incurred in compliance with these restrictions could be substantial. In addition, the indenture governing the new notes and our revolving credit facility will not prevent us from incurring obligations that do not constitute indebtedness. See Description of the Notes Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock . To the extent new indebtedness is added to our current indebtedness levels, the risks described above could substantially intensify.

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To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt obligations could harm our business, financial condition and results of operations.

Our ability to make interest payments on and to repay our indebtedness, including the new notes, and to fund planned capital expenditures will depend on our ability to generate cash from operations in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control, including the prices that we receive for natural gas and oil. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our revolving credit facility in an amount sufficient to enable us to make interest payments on and to repay our indebtedness, including the new notes, or to fund our other liquidity needs.

If our cash flow and capital resources are insufficient to fund our debt obligations, we may be forced to sell assets, seek additional equity or debt capital or restructure our debt. Our Australian joint ventures include a contractual priority over production to satisfy joint venture debts as against secured creditors. The indenture governing the old notes, the new notes and our revolving credit facility will restrict our ability to dispose of assets and use the proceeds from any such disposition. We cannot assure you that any of these remedies could, if necessary, be effected on commercially reasonable terms, or at all. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness, including our revolving credit facility, would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms. If we fail to meet our payment obligations under our revolving credit facility, those lenders would be entitled to foreclose on substantially all of our assets and liquidate those assets. Under those circumstances, our cash flow and capital resources would be insufficient for payment of interest on and principal of our debt in the future, including interest payments on the new notes and the old notes, and any such alternative measures may be unsuccessful or may not permit us to meet scheduled debt service obligations, which could cause us to default on our obligations, impair our liquidity, or cause the holders of the new notes to lose a portion of or the entire value of their investment.

A default on our obligations could result in:

- Our debt holders declaring all outstanding principal and interest due and payable;
- The lenders under our revolving credit facility terminating their commitments to loan us money and foreclosing against the assets securing their loans to us; and
- Our bankruptcy or liquidation, which is likely to result in delays in the payment of the new notes and in the exercise of enforcement remedies under the new notes or the subsidiary guarantees.

In addition, provisions under the bankruptcy code or general principles of equity that could result in the impairment of your rights include the automatic stay, avoidance of preferential transfers by a trustee or a debtor-in-possession, limitations of collectibility of unmatured interest or attorneys fees and forced restructuring of the new notes.

Restrictive debt covenants in the indenture and our revolving credit facility will restrict our business in many ways.

The indenture governing the new notes will contain a number of significant covenants that, among other things, will restrict our ability to:

- Transfer or sell assets;
- Make investments;

Pay dividends, redeem subordinated indebtedness or make other restricted payments;

- Incur or guarantee additional indebtedness or issue disqualified capital stock;
- Create or incur liens;
- Incur dividend or other payment restrictions affecting certain subsidiaries;
- Consummate a merger, consolidation or sale of all or substantially all of our assets;
- Enter into transactions with affiliates; and
- Engage in businesses other than the natural gas and oil business.

These covenants could limit our ability to obtain future financings, make needed capital expenditures, withstand a future downturn in our business or the economy in general or otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations that the restrictive covenants impose on us. A breach of any of these covenants could result in a default under the new notes which, if not cured or waived, could result in acceleration of the new notes. See Description of the Notes Events of Default and Remedies .

In addition, our revolving credit facility contains restrictive covenants and requires us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those tests. A breach of any of these covenants could result in a default under the facility. Upon the occurrence of an event of default, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure that indebtedness. We have pledged substantially all of our assets as collateral under the revolving credit facility, including our ownership interests in our subsidiaries. If the lenders accelerate our repayment of borrowings, we cannot assure you that we will have sufficient assets to repay our revolving credit facility and our other indebtedness, including the new notes.

Our borrowings under our revolving credit facility expose us to interest rate risk.

Our borrowings under our revolving credit facility are, and are expected to continue to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net loss would increase.

There may not be sufficient collateral to pay all or any of the new notes.

Indebtedness and other obligations under our revolving credit facility, the new notes and certain other senior secured indebtedness that we may incur in the future will be secured by a lien on substantially all of our tangible and intangible assets. Pursuant to the terms of an intercreditor agreement, the security interest in those assets that secure the new notes and guarantees of our current domestic subsidiaries and future material domestic subsidiaries will be contractually subordinated to a lien thereon that secures our revolving credit facility and certain other permitted indebtedness. Therefore, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding involving us, or an acceleration of our first priority claims, such assets that secure these first priority claims and the new notes must be used first to pay first priority claims in full before any payments are made therewith on the new notes.

No fair market value appraisals of any collateral have been prepared in connection with this offering of the new notes. The value of the collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers for the collateral. By its nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value. The value of the assets pledged as collateral for the new notes could be impaired in the future as a result of changing economic conditions, competition or other future trends. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, no assurance can be given that the proceeds from any sale or liquidation of the collateral will be sufficient to pay our obligations under the new notes, in full or at all, after first satisfying our obligations in full under first priority claims. See the section entitled Description of the Notes Collateral . Accordingly, there may not be sufficient collateral to pay all or any of the amounts due on the new notes.

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To the extent that third parties enjoy prior liens, such third parties may have rights and remedies with respect to the property subject to such liens that, if exercised, could adversely affect the value of the collateral. Additionally, the terms of the indenture allow us to issue additional notes in certain circumstances. The indenture will not require that we maintain the current level of collateral value or maintain a specific ratio of indebtedness to asset values. Any additional notes issued pursuant to the indenture will rank pari passu with the new notes and be entitled to the same rights and priority with respect to the collateral. Thus, the issuance of additional notes pursuant to the indenture may have the effect of significantly diluting your ability to recover payment in full from the then existing pool of collateral. Releases of collateral from the liens securing the new notes will be permitted under some circumstances. See Description of the Notes Collateral .

The collateral is subject to casualty risks.

We will be obligated under the collateral arrangements to maintain adequate insurance or otherwise insure against hazards as is usually done by corporations operating properties of a similar nature in the same or similar localities. The Australian assets insurances are procured by the operator of the relevant joint venture (acting as a reasonable and prudent operator) to cover joint venture loss and include deductibles. There are, however, certain losses that may be either uninsurable or not economically insurable, in whole or in part. As a result, it is possible that the insurance proceeds will not compensate us fully for our losses. If there is a total or partial loss of any of the pledged collateral, we cannot assure you that any insurance proceeds received by us will be sufficient to satisfy all of our secured obligations, including the new notes.

Holders of new notes will not control decisions regarding collateral.

In connection with entering into our revolving credit facility, we entered into an intercreditor agreement with the agent under our revolving credit facility, which provides that, among other things, (1) the holders of the first priority claims and the agent under our revolving credit facility control substantially all matters related to the collateral that secures the first priority claims and the new notes; (2) the holders of first priority claims and the agent under our revolving credit facility may foreclose on or take other actions with respect to such collateral with which holders of the new notes may disagree or that may be contrary to the interests of holders of the new notes; (3) to the extent certain collateral is released from securing first priority claims to satisfy such claims, the liens securing the new notes will also automatically be released without any further action; and (4) the holders of the new notes will agree to waive certain of their rights in connection with a bankruptcy or insolvency proceeding involving us or any guarantor of the new notes. See Description of the Notes Collateral Intercreditor Agreement .

In the event of a bankruptcy, the ability of the noteholders to realize the collateral will be subject to certain bankruptcy law limitations.

The right of the collateral agent for the new notes to repossess and dispose of the collateral securing the new notes upon acceleration is likely to be significantly impaired by federal bankruptcy law if bankruptcy proceedings are commenced by or against us prior to or possibly even after the collateral agent has repossessed and disposed of the collateral. Under the U.S. Bankruptcy Code, a secured creditor, such as the collateral agent for the new notes, is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from a debtor, without bankruptcy court approval. Moreover, bankruptcy law permits the debtor to continue to retain and to use collateral, and the proceeds, products, rents, or profits of the collateral, even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given adequate protection . The meaning of the term adequate protection may vary according to circumstances, but it is intended in general to protect the value of the secured creditor s interest in the collateral and may include cash payments or the granting of additional security, if and at such time as the court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition or any use of the collateral by the debtor during the pendency of the bankruptcy case. In view of the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments under the new notes could be delayed following commencement of a bankruptcy case, whether or when the collateral agent would repossess or dispose of the collateral, or whether or to what extent holders of the new notes would be compensated for any delay in payment of loss of value of the collateral through the requirements of adequate protection . Furthermore, in the event the bankruptcy court

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determines that the value of the collateral is not sufficient to repay all amounts due on the new notes, the holders of the new notes would have undersecured claims as to the difference. Federal bankruptcy laws do not permit the payment or accrual of interest, costs, and attorneys fees for undersecured claims during the debtor s bankruptcy case.

Rights of noteholders in the collateral may be adversely affected by the failure to perfect security interests in certain collateral existing or acquired in the future.

The security interest in the collateral securing the new notes includes certain of our domestic assets, both tangible and intangible, whether now owned or acquired or arising in the future. Our Australian properties do not constitute any of the collateral securing the new notes. There can be no assurance that the trustee or the collateral agent will monitor, or that we will inform the trustee or the collateral agent of, the future acquisition of oil and gas property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after acquired collateral. The failure to perfect a security interest in respect of such acquired collateral may result in the loss of the security interest therein or the priority of the security interest in favor of the new notes against third parties, subject to the priority order set out in joint venture agreements. If we or any guarantor were to become subject to a bankruptcy proceeding after the issue date of the new notes, any liens recorded or perfected after the issue date of the new notes would face a greater risk of being invalidated than if they had been recorded or perfected on the issue date. If a lien is recorded or perfected after the issue date, it may be treated under bankruptcy law as if it were delivered to secure previously existing debt. In bankruptcy proceedings commenced within 90 days of lien perfection, a lien given to secure previously existing debt is materially more likely to be avoided as a preference by the bankruptcy court than if delivered and promptly recorded on the issue date of the new notes. Accordingly, if we or a guarantor were to file for bankruptcy after the issue date of the new notes and the liens had been perfected less than 90 days before commencement of such bankruptcy proceeding, the liens securing the new notes may be especially subject to challenge as a result of having been delivered after the issue date of the new notes. To the extent that such challenge succeeded, you would lose the benefit of the security that the collateral was intended to provide.

A court could cancel the new notes or the guarantees of our current domestic subsidiaries and future material domestic subsidiaries, our Parent and security interests under fraudulent conveyance laws or certain other circumstances.

Our issuance of the new notes and the issuance of the guarantees by our current and future subsidiaries and our Parent may be subject to review under federal or state fraudulent transfer or similar laws.

All of our current domestic and future material domestic subsidiaries and our Parent will guarantee the new notes. If we, our Parent or such a subsidiary becomes a debtor in a case under the Bankruptcy Code or encounters other financial difficulty, under federal or state laws governing fraudulent conveyance, renewable transactions or preferential payments, a court in the relevant jurisdiction might avoid or cancel its guarantee and/or the liens created by the security interest. The court might do so if it found that, when the subsidiary or our Parent entered into its guarantee and security arrangement or, in some states, when payments become due thereunder, (a) it received less than reasonably equivalent value or fair consideration for such guarantee and/or security arrangement and (b) either (i) was or was rendered insolvent, (ii) was left with inadequate capital to conduct its business, (iii) or believed or should have believed that it would incur debts beyond its ability to pay. The court might also avoid such guarantee and/or security arrangement, without regard to the above factors, if it found that the subsidiary or our Parent entered into its guarantee and/or security arrangement with actual or deemed intent to hinder, delay, or defraud our creditors.

Similarly, if we become a debtor in a case under the Bankruptcy Code or encounter other financial difficulty, a court might cancel our obligations under the new notes, if it found that when we issued the new notes (or in some jurisdictions, when payments become due under the new notes), factors (a) and (b) above applied to us, or if it found that we issued the new notes with actual intent to hinder, delay or defraud our creditors.

A court would likely find that a subsidiary or our Parent did not receive reasonably equivalent value or fair consideration for its guarantee unless it benefited directly or indirectly from the issuance of the new notes. If a court avoided such guarantee, holders of the new notes would no longer have a claim against such subsidiary or our Parent. In addition, the court might direct holders of the new notes to repay any amounts already received from such subsidiary or our Parent. If the court were to avoid any guarantee, we cannot assure you that funds would be available to pay the new notes from another subsidiary or our Parent or from any other source.

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The indenture states that the liability of each subsidiary and our Parent on its guarantee and security arrangement is limited to the maximum amount that the subsidiary or our Parent can incur without risk that the guarantee or security arrangement will be subject to avoidance as a fraudulent conveyance. This limitation may not protect the guarantees and/or security arrangements from a fraudulent conveyance attack or, if it does, the guarantees and/or security arrangements may not be in amounts sufficient, if necessary, to pay obligations under the new notes when due.

The trading price of the new notes may be volatile.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the new notes. Any such disruptions could adversely affect the prices at which you may sell the new notes. In addition, the new notes may trade at a discount from the initial offering price of the old notes, depending on prevailing interest rates, the market for similar notes, our performance and other factors, many of which are beyond our control.

We may not have the ability to raise the funds necessary to finance any change of control offer required by the indenture governing the new notes.

Upon the occurrence of a change of control, as defined in the indenture governing the new notes, we will be required to offer to repurchase all outstanding new notes at a price equal to 101% of the principal amount of the new notes, together with accrued and unpaid interest, if any, to the date of repurchase.

However, it is possible that we will not have sufficient funds at the time of a change of control to make the required repurchase of the new notes or that restrictions in our revolving credit facility will not allow such repurchases. If the indebtedness under our revolving credit facility is not paid, the lenders thereunder may seek to enforce their security interests in the collateral securing such indebtedness thereby limiting our ability to raise cash to purchase the new notes and reducing the practical benefit of the offer to purchase provisions of the new notes. See Description of the Notes Repurchase at the Option of Holders .

One of the circumstances under which a change of control may occur is upon the sale or disposition of all or substantially all of our capital stock or assets. However, the phrase all or substantially all will likely be interpreted under applicable state law and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or disposition of all or substantially all of our capital stock or assets has occurred, in which case, the ability of a holder of the new notes to obtain the benefit of an offer to repurchase all of a portion of the new notes held by such holder may be impaired.

The purchase requirements contained in our debt instruments could also delay or make it harder for others to effect a change of control. However, certain other corporate events, such as a leveraged recapitalization that would increase our level of indebtedness, would not necessarily constitute a change of control under the indenture governing the new notes. Upon the occurrence of a change of control we could seek to refinance the indebtedness under our new revolving credit facility and the new notes, obtain a waiver from the lenders and the holders of the new notes or seek third party financing to repurchase the new notes. We cannot assure you, however, that we would be able to obtain waivers or refinance our indebtedness or secure third party financing on commercially reasonable terms, if at all. See Description of the Notes Repurchase at the Option of Holders .

There may be no public market for the new notes.

The new notes will be new securities for which currently there is no trading market. We do not intend to apply for the new notes to be listed on any securities exchange or to arrange for any quotation system to quote them. The liquidity of any market for the new notes will depend on the number of holders of those new notes, the interest of securities dealers in making a market in those securities and other factors. Accordingly, we cannot assure you as to:

- The liquidity of any such market that may develop;

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- Your ability to sell your new notes; or

- The price at which you would be able to sell your new notes.

If such a market were to exist, the new notes could trade at prices that may be lower than the principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar new notes and our financial performance. If an active market does not develop or is not maintained, the price and liquidity of the new notes may be adversely affected.

If you fail to exchange your old notes, the existing transfer restrictions will remain in effect and the market value of your old notes may be adversely affected because they may be more difficult to sell.

If you fail to exchange your old notes for new notes under the exchange offer, then you will continue to be subject to the existing transfer restrictions on your old notes. In general, the old notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except in connection with this exchange offer or as required by the registration rights agreement, we do not intend to register resales of the old notes.

The tender of old notes under the exchange offer will reduce the principal amount of the old notes outstanding. Due to the corresponding reduction in liquidity, this may have an adverse effect upon, and increase the volatility of, the market price of any old notes that you continue to hold following completion of the exchange offer.

Risks Related to Our Business

Natural gas and oil prices are volatile and a decline in natural gas and oil prices can significantly affect our financial condition and results of operations.

The success of our business greatly depends on market prices of natural gas and oil. The higher market prices are, the more likely it is that we will be financially successful. On the other hand, declines in natural gas or oil prices may have a material adverse affect our financial condition, profitability and liquidity. Lower prices also may reduce the amount of natural gas or oil that we can produce economically. Natural gas and oil are commodities whose prices are set by broad market forces. Historically, the natural gas and oil markets have been volatile. Natural gas and oil prices will likely continue to be volatile in the future. Prices for natural gas and oil are subject to wide fluctuations in response to relatively minor changes in the supply of and demand for natural gas or oil, market uncertainty and a variety of additional factors that are beyond our control. These factors include:

- The domestic and foreign supply of natural gas and oil;

- Overall economic conditions;

- Weather conditions;

- Political conditions in the Middle East and other oil producing regions, such as Venezuela;

- Domestic and foreign governmental regulations;

- The level of consumer product demand; and

The price and availability of alternative fuels.

Our success is influenced by natural gas prices in the specific areas where we operate, and these prices may be lower than prices at major markets.

Even though overall natural gas prices at major markets, such as Henry Hub in Louisiana, may be high, regional natural gas prices may move independent of broad industry price trends. Because some of our operations are located outside major markets, we are directly impacted by regional natural gas prices regardless of Henry Hub or other major market pricing. As of March 31, 2008, approximately 79% of our production is priced based on the Katy Hub (Katy) basis point, and the remainder is priced on the CIG basis point. Recently, natural gas prices on CIG

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have been extremely volatile, and spot sales of natural gas in the region traded at prices substantially below historic levels, when compared to prices in other primary natural gas sales points in the country. This has been attributed primarily to limitations in available pipeline capacity for natural gas deliveries out of the Rocky Mountain area. In 2007, spot prices for CIG Rocky Mountains on occasion dipped to less than $1.00 per MMBtu. While this volatility currently has been alleviated by completion of a major pipeline system in January 2008, this relief may be offset over time by the expected increase in supply of natural gas available in the Rocky Mountains. For the three months ended March 31, 2008, the Katy hub basis traded at approximately 3% less than Henry Hub, and CIG hub basis traded at approximately 11% less then Henry Hub. Low natural gas prices in any or all of the areas where we operate would negatively impact our financial condition and results of operations.

In Victoria and New South Wales the wholesale price for gas is determined by contract negotiations and is not related to a hub or spot market price. Prospective natural gas sales related to our pilot CBM project in New South Wales will be dependent on electricity prices in the area since the natural gas is being dedicated initially as fuel for an electric generation facility.

Natural gas and oil reserves are depleting assets, and the failure to replace our reserves would adversely affect our production and cash flows.

Our future natural gas and oil production depends on our success in finding or acquiring new reserves. If we fail to replace reserves, our level of production and cash flows would be adversely impacted. Production from natural gas and oil properties decline as reserves are depleted, with the rate of decline depending on reservoir characteristics. Our total proved reserves will decline as reserves are produced unless we conduct successful exploration and development activities and/or acquire properties containing proved reserves. Our ability to make the necessary capital investment to maintain or expand our asset base of natural gas and oil reserves would be impaired to the extent cash flow from operations is reduced and external sources of capital become limited or unavailable. We may not be successful in exploring for, developing or acquiring additional reserves, which could have a material adverse effect on our financial condition, future cash flows and the results of operations.

Exploration is a high risk activity, and our participation in drilling activities may not be successful.

Our future success will largely depend on the success of our exploration drilling program. Participation in exploration drilling activities involves numerous risks, including the risk that no commercially productive natural gas or oil reservoirs will be discovered. The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

- Unexpected drilling conditions;
- Blowouts, fires or explosions with resultant injury, death or environmental damage;
- Pressure or irregularities in formations;
- Equipment failures or accidents;
- Adverse weather conditions;
- Compliance with governmental requirements and laws, present and future; and
- Shortages or delays in the availability of drilling rigs and the delivery of equipment.

We use available seismic data to assist in the location of potential drilling sites. Even when properly used and interpreted, 2-D and 3-D seismic data and other visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators. They do not allow the interpreter to know conclusively if hydrocarbons are present or economically producible. Poor results from our drilling activities would have a material adverse affect our financial condition, future cash flows and results of operations. In addition, using seismic data and other advanced technologies involves substantial upfront costs and is more expensive than traditional drilling strategies, and we could incur losses as a result of these expenditures.

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Deficiencies of title to our leased interests could significantly affect our financial condition.

Our practice in acquiring exploration leases or undivided interests in natural gas and oil leases is not to incur the expense of retaining lawyers to examine the title to the mineral interest prior to executing the lease. Instead, we rely upon the judgment of lease brokers and others to perform the field work in examining records in the appropriate governmental or county clerk s office before leasing a specific mineral interest. This practice is widely followed in the industry. Prior to drilling an exploration well, the operator of the well will typically obtain a preliminary title review of the drillsite lease or spacing unit within which the proposed well is to be drilled to identify any obvious deficiencies in title to the well and, if there are deficiencies, to identify measures necessary to cure those defects to the extent reasonably possible. It does happen, from time to time, that the examination made by the title lawyers reveals that the lease or leases are invalid, having been purchased in error from a person who is not the rightful owner of the mineral interest desired. In these circumstances, we may not be able to proceed with our exploration and development of the lease site or may incur costs to remedy a defect, which could affect our financial condition and results of operations. Information about our legal proceedings is set forth in Note 16 Commitments and Contingencies Litigation to our consolidated financial statements, which begin on page F-1.

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A dispute between third parties affecting the ownership of undivided interests in certain East Texas oil and gas leases that we sold in 2005 may make it difficult for us, as operator of those leases, to obtain funds for some of our planned joint drilling operations until the dispute is resolved.

In 2005, we sold Chesapeake Energy Corporation a one-third undivided interest in various oil and gas leases, located in Leon and Robertson Counties, Texas together with shares of our common stock. Navasota Resources, L.P. filed a lawsuit against us and Chesapeake asserting a preferential right to purchase the undivided leasehold interest under an operating agreement. While this issue was resolved by the trial court in favor of Chesapeake, an appeals court has recently reversed and rendered judgment favoring Navasota s right to acquire the undivided interest. Together with Chesapeake, we filed a motion for rehearing and, if unsuccessful, may consider an appeal to the Texas Supreme Court. While ownership of this undivided leasehold interest remains unresolved, Chesapeake and Navasota are disputing responsibility for paying the proportionate share of joint capital and operating costs relating to this interest or approving authorizations for future joint drilling expenditures. Delays in determining ultimate ownership of this interest could lead to our paying a disproportionate share of costs at our own risk or result in a delay in drilling of wells planned on this acreage in East Texas, which could have a material adverse effect on our financial condition, future cash flows and the results of operations.

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

The process of estimating natural gas and oil reserves is complex. It requires interpretations of available technical data and various assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves.

There are many uncertainties inherent in estimating natural gas and oil reserves and their values, many of which are beyond our control. Reservoir engineering is a subjective process of estimating underground accumulations of natural gas or oil that cannot be measured in an exact manner. Estimates of economically recoverable natural gas or oil reserves and of future net cash flows necessarily depend on many variables and assumptions, such as:

- Historical natural gas or oil production from that area, compared with production from other producing areas;
- The assumed effects of regulations by governmental agencies;
- Assumptions concerning future prices;
- Assumptions concerning future operating costs;
- Assumptions concerning severance and excise taxes; and
- Assumptions concerning development costs and workover and remedial costs.

Any of these assumptions could vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of natural gas or oil attributable to any particular group of properties, classifications of those reserves based on risk recovery and estimates of the future net cash flows expected from them prepared by different engineers, or by the same engineer at different times, may vary substantially. Because of this, our reserve estimates may materially change at any time.

You should not consider the present values of estimated future net cash flows referred to in this prospectus to be the current market value of the estimated reserves attributable to our properties. The estimated discounted future net cash flows from proved reserves are generally based on prices and costs in effect when the estimate is made. However, actual future prices and costs may be materially higher or lower. Actual future net cash flows also will be affected by factors such as:

The amount and timing of actual production;

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- Supply and demand for natural gas or oil;
- Actual prices received for natural gas in the future being different than those used in the estimate;
- Curtailments or increases in consumption of natural gas or oil;
- Changes in governmental regulations or taxation; and
- The timing of both production and expenses in connection with the development and production of natural gas or oil properties.

In this prospectus, the net present value of future net revenues is calculated using a 10% discount rate. This rate is not necessarily the most appropriate discount factor based on interest rates in effect from time to time and risks associated with our reserves or the natural gas and oil industry in general.

The imprecise nature of estimating proved natural gas and oil reserves, future downward revisions of proved reserves and increased drilling expenditures without current additions to proved reserves may lead to write downs in the carrying value of our natural gas and oil properties.

Due to the imprecise nature of estimating natural gas and oil reserves as well as the potential volatility in natural gas and oil prices and their effect on the carrying value of our natural gas and oil properties, write downs in the future may be required as a result of factors that may negatively affect the present value of proved natural gas and oil reserves. These factors can include volatile natural gas and oil prices, downward revisions in estimated proved natural gas and oil reserve quantities, limited classification of proved reserves associated with successful wells and unsuccessful drilling activities.

A majority of our proved reserves are classified as proved developed non-producing and proved undeveloped and may ultimately prove to be less than estimated.

At December 31, 2007, approximately 60% of our total proved reserves were classified as proved developed non-producing and proved undeveloped. It will take substantial capital to recomplete or drill our non-producing and undeveloped locations. Our estimate of proved reserves at December 31, 2007 assumes that we will spend significant development capital expenditures to develop these reserves, including an estimated $39.1 million and $9.5 million in 2008 and 2009, respectively. Further, our drilling efforts may be delayed or unsuccessful, and actual reserves may prove to be less than current reserve estimates, which could have a material adverse effect on our financial condition, future cash flows and the results of operations.

We may experience shortages of equipment and personnel, which could significantly disrupt or delay our operations.

From time to time, there has been a general shortage of drilling rigs, equipment, supplies and oilfield services in North America and Australia, which could intensify with increased industry activity. In addition, the costs and delivery times of rigs, equipment and supplies have risen. Shortages of drilling rigs, equipment, supplies or trained personnel could delay and adversely affect our operations and drilling plans, which could have an adverse effect on our results of operations. While we entered into contracts for the services of drilling rigs in North America and Australia, we may not be successful in doing so in the future. The demand for, and wage rates of, qualified rig crews have begun to rise in the drilling industry due to the increasing number of active rigs in service. Personnel shortages have occurred in the past during times of increasing demand for drilling services. If the number of active drilling rigs increases, we may experience shortages of qualified personnel to operate our drilling rigs, which could delay our drilling operations and have a material adverse effect on our financial condition, future cash flows and the results of operations.

We are subject to complex laws and regulations, including environmental laws and regulations that can adversely affect the cost, manner or feasibility of conducting our business.

Our exploration and production interests and operations are subject to stringent and complex federal, state and local laws and regulations governing the operation and maintenance of our facilities and the handling and discharge of substances into the environment. These existing laws and regulations impose numerous obligations that are applicable to our interests and operations including:

- Air and water discharge permits for drilling and production operations;
- Drilling and abandonment bonds or other financial responsibility assurances;
- Reports concerning operations;
- Spacing of wells;
- Access to properties, particularly in the Powder River Basin;
- Taxation; and
- Other regulatory controls on operating activities.

In addition, regulatory agencies have from time to time imposed price controls and limitations on production by restricting the flow rate of wells below actual production capacity in order to conserve supplies of natural gas and oil.

Failure to comply with environmental and other laws and regulations applicable to our interests and operations could result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations, and the issuance of orders enjoining or limiting future operations, any of which could have a material adverse affect on our financial condition. Legal requirements are sometimes unclear or subject to reinterpretation and may be frequently changed in response to economic or political conditions. As a result, it is hard to predict the ultimate cost of compliance with these requirements or their affect on our interests and operations. In addition, existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations may have a material adverse effect on our financial condition, future cash flows and the results of operations.

The production, handling, storage, transportation and disposal of natural gas and oil, by-products of natural gas and oil and other substances produced or used in connection with natural gas and oil production operations are regulated by laws and regulations focused on the protection of human health and the environment. Joint and several, strict liability may be incurred without regard to fault or the legality of the original conduct under certain of these laws and regulations for the remediation of contaminated areas. Private parties, including the owners of properties located near our storage facilities or through which our pipeline systems pass, also may have the right to pursue legal actions to enforce compliance, as well as seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage. Consequently, the discharge or release of natural gas, oil or other substances into the air, soil or water, even by predecessor operators, could subject us to liabilities arising from environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury, property and natural resource damage, and fines or penalties for related violations of environmental laws or regulations. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase our compliance costs and the cost of any remediation that may become necessary. We may not be able to recover some or any of these costs from insurance.

Our Australian operations are subject to unique risks relating to Aboriginal land claims and government licenses.

Native title, which is based on the traditional laws of Aboriginal groups, was recognized in Australia in 1992. Since 1994 there has been a process under the Native Title Act 1993 (Cth) through which indigenous groups claiming to hold native title can have their title formally recognized. Because native title, by definition, has existed uninterrupted since white settlement of Australia, claims with a reasonable prospect of success are registered and

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registered claimants have certain rights to participate in government land use decisions affecting land to which they may hold native title. Through the claims process, there are some areas in Australia where native title is now formally recognized. However, in New South Wales, where we have our Australian operations, most native title claims are yet to be resolved. There are registered native title claims in the Gunnedah Basin in New South Wales affecting PEL 238 and 433.

Native title can and has been extinguished across much of Australia and cannot be revived. Native title may be wholly extinguished in relation to particular areas of land by a grant of an inconsistent title, such as freehold or a lease conferring exclusive possession. Where this has occurred it is possible to determine that native title has been extinguished irrespective of the formal resolution of a claim. Native title has no effect in relation to land use in such areas. Native title is also extinguished where the traditional Aboriginal owners have lost their traditional links to the land. This can usually only be determined through the claim resolution process.

Native title can impact our Australian operations in two important ways:

- Validity of interests: Where we are seeking to obtain an authority to prospect, develop resources or construct a pipeline over land subject to a registered native title claim or determination, in respect of which prior extinguishment cannot be demonstrated, it is necessary to follow the processes contained in the Commonwealth native title the Native Title Act 1993 (Cth) to ensure validity of the authority insofar as it affects native title.

- Costs and delays associated with procedural rights of registered native title claimants/holders when seeking government authorities: Under the Native Title Act 1993 (Cth), registered native title claimants or holders (native title parties) have certain procedural rights in relation to the grant of authorities by the state government in respect of land to which they may or do hold native title. We may be required to attempt to reach agreement with any native title parties as to the terms on which they will agree to the grant of the authority we seek. Such an agreement may include immediate payments, revenue sharing, or both. Payments are likely to apply even before the claim is formally resolved. An agreement may also restrict the area where prospecting or development can occur in order to ensure that areas of cultural heritage significance are preserved. Reaching agreement with a native title party can be costly and cause delay. Generally, the costs associated with the grant of pipeline licenses are less than those for production approvals. It is possible to request the National Native Title Tribunal to arbitrate a dispute regarding the terms on which a prospecting or production authority can be granted, if there has been no resolution after six months. Other processes are available for resolution of disputes regarding pipeline licensing approvals according to state laws.

The process of drilling for and producing natural gas and oil involves many operating risks that can cause substantial losses, and we may not have enough insurance to cover these risks adequately.

The natural gas and oil business involves many operating hazards, such as:

- Well blowouts, fires and explosions;

- Surface craterings and casing collapses;

- Uncontrollable flows of natural gas, oil or well fluids;

- Pipe and cement failures;

- Formations with abnormal pressures;

Stuck drilling and service tools;

Pipeline ruptures or spills;

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- Natural disasters; and
- Releases of toxic natural gas.

Any of these events could cause substantial losses to us as a result of:

- Injury or death;
- Damage to and destruction of property, natural resources and equipment;
- Pollution and other environmental damage;
- Regulatory investigations and penalties;
- Suspension of operations; and
- Repair and remediation costs.

We could also be responsible for environmental damage caused by previous owners of property that we purchase or lease. As a result, we may incur substantial liabilities to third parties or governmental entities. Although we maintain what we believe is appropriate and customary insurance for these risks, the insurance may not be available or sufficient to cover all of these liabilities. If these liabilities are not covered by our insurance, paying them could reduce or eliminate the funds available for exploration, development or acquisitions or result in the loss of our properties.

Approximately 79% of our revenues for the three months ended March 31, 2008 was from the production of wells located in our Hilltop area play in East Texas. Any disruption in production or our ability to process and sell our natural gas production from this area would have a material adverse effect on our results of operations.

Production of the natural gas in East Texas could unexpectedly be disrupted or curtailed due to reservoir or mechanical problems. Our natural gas produced from this area contains levels of carbon dioxide and hydrogen sulfide that are above levels accepted by gas purchasers. This production must be treated by the purchaser. A majority of our East Texas production is processed by the purchaser. If the purchaser s facilities ceased to operate, were destroyed or otherwise needed replacement, it could require 60 to 90 days to replace or repair these facilities. A 60 to 90 day curtailment of our East Texas production could reduce current revenues by an estimated $9.3 million to $13.9 million, with a corresponding reduction in our cash flow.

The CBM which we produce in the Powder River Basin may be drained by offsetting production wells.

Our drilling locations in the Powder River Basin are spaced primarily using 80-acre spacing. Producing wells located on the 80-acre spacing units contiguous with our drilling locations may drain the acreage underlying our wells. If a substantial number of productive wells are drilled on spacing units adjacent to our properties, they may decrease our revenue and could have an adverse impact on the economically recoverable reserves of our properties that are susceptible to such drainage.

Our Powder River Basin CBM wells typically have a shorter reserve life and lower rates of production than conventional natural gas wells, which may adversely affect our profitability during periods of low natural gas prices.

The shallow coals from which we produce CBM in the Powder River Basin typically have a two to six year reserve life and have lower total reserves and produce at lower rates than most conventional natural gas wells. We depend on drilling a large number of wells each year to replace production and reserves in the Powder River Basin and to distribute operational expenses over a larger number of wells. A decline in natural gas prices could make certain wells uneconomical because production rates are lower on an individual well basis and may be insufficient to cover operational costs.

There are a limited number of natural gas purchasers and transporters in the Hilltop area of our deep Bossier play in East Texas. The loss of our current purchaser and transporter and an inability to locate another purchaser and transporter would have a material adverse effect on our financial condition and results of operations.

There are a limited number of natural gas transporters in the Hilltop area in East Texas. For the year ended December 31, 2007, ETC accounted for substantially all of our revenues from this area. If ETC were to cease purchasing and transporting our natural gas and we were unable to contract with another transporter, it would have a material adverse effect on our financial condition, future cash flows and the results of operations.

Our ability to market our natural gas and oil may be impaired by capacity constraints on the gathering systems and pipelines that transport our natural gas and oil.

The availability of a ready market for our natural gas production depends on the proximity of our reserves to and the capacity of natural gas gathering systems, pipelines and trucking or terminal facilities. We enter into agreements with companies that own pipelines used to transport natural gas from the wellhead to contract destination. Those pipelines are limited in size and volume of natural gas flow. Should production begin, other outstanding contracts with other producers and developers could interfere with our access to a natural gas line to deliver natural gas to the market. We do not own or operate any natural gas lines or distribution facilities. Further, interstate transportation and distribution of natural gas is regulated by the federal government through the FERC. FERC sets rules and carries out administratively the oversight of interstate markets for natural gas and other energy policy. Among FERC s powers is the ability to dictate sale and delivery of natural gas to any markets it oversees.

Additionally, state regulators have vast powers over sale, supply and delivery of natural gas and oil within their state borders. While we do employ certain companies to represent our interests before state regulatory agencies, our interests may not receive favorable rulings from any state agency, or some future occurrence may drastically alter our ability to enter into contracts or deliver natural gas to the market.

In recent years pipeline capacity for natural gas deliveries out of the Rocky Mountain area has been, at times, significantly constrained resulting in an oversupply and creating substantial discounts on spot natural gas prices received for regional production. This has had a substantial impact on the prices received for natural gas production from Wyoming and Montana, as compared to Gulf Coast natural gas prices. While a recently completed interstate pipeline currently has alleviated the problem by providing access to the Midwest interstate pipelines and markets, the relief may be offset over time by the expected increase in supply of natural gas available in the Rocky Mountains.

Australian natural gas markets and transmission infrastructure exists but they are not as developed or interconnected as the markets and infrastructure in the United States. Specifically, the PEL 238 concession is currently not served by natural gas transmission infrastructure. The initial gas market for PEL 238 natural gas is anticipated to be an electricity generation facility located near the town of Narrabri, New South Wales. A short transmission pipeline is required to be built to serve this initial market. Access to a larger electricity facility will require construction of a pipeline of approximately 300 kilometers to reach PEL 238 with an additional 150 kilometers of pipeline infrastructure required to access the natural gas markets in the Sydney-Newcastle-Wollongong markets. The capital costs for these projects, if deemed feasible, would be substantial in order to realize the value of any identified reserves and construction would require significant amounts of time.

Our exploration rights in Australia are subject to renewal at the discretion of the government.

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Coal bed methane exploration in New South Wales is conducted under a Petroleum Exploration License (PEL) granted under the Petroleum (Onshore) Act 1991 (NSW), which is granted at the discretion of the Minister. Each PEL requires the expenditure of a set amount of exploration costs and is generally subject to renewal a term of up to six years after the initial term of up to six years. On renewal of a PEL, the Minister may require reduction of the area to which the PEL applies. We cannot assure that our PELs will be renewed. Non-renewal or loss of any PEL could adversely affect our exploration and development plans, results of operations, financial condition or cash flows.

Competition in the natural gas and oil industry is intense. We are smaller and have less operating history than many of our competitors, and increased competitive pressure could adversely affect our results of operations.

We operate in a highly competitive environment. We compete with other natural gas and oil companies in all areas of our operations, including the acquisition of exploratory prospects and proven properties. Our competitors include major integrated natural gas and oil companies, numerous independent natural gas and oil companies, individuals and drilling and income programs. Many of our competitors are large, well-established companies that have substantially larger operating staffs and greater capital resources than we do and that, in many instances, have been engaged in the natural gas and oil business for a much longer time than we have. These companies may be able to pay more for exploratory prospects and productive natural gas and oil properties and may be able to define, evaluate, bid for and purchase more properties and prospects than our financial and human resources permit. In addition, these companies may be able to spend more on the existing and changing technologies that we believe are and will be increasingly important to the current and future success of natural gas and oil companies. Our ability to explore for natural gas and oil prospects and to acquire additional properties in the future will depend on our ability to conduct our operations, to evaluate and select suitable properties and to consummate transactions in this highly competitive environment. Increased competitive pressure could have a material adverse effect on our financial condition, future cash flows and the results of operations.

Acquisition prospects are difficult to assess and may pose additional risks to our operations.

Where appropriate, we may evaluate and pursue acquisition opportunities on terms our management considers favorable. In particular, we expect to pursue acquisitions that have the potential to economically increase our natural gas and oil reserves. The successful acquisition of natural gas and oil properties requires an assessment of:

- Recoverable reserves;
- Exploration potential;
- Future natural gas and oil prices;
- Operating costs;
- Potential environmental and other liabilities; and
- Permitting and other environmental authorizations required for our operations.

In connection with such an assessment, we would expect to perform a review of the subject properties that we believe to be generally consistent with industry practices. Nonetheless, the resulting conclusions are inexact and their accuracy inherently uncertain, and such an assessment may not reveal all existing or potential problems, nor will it necessarily permit a buyer to become sufficiently familiar with the properties to fully assess their merits and deficiencies. Inspections may not always be performed on every platform or well, and structural and environmental problems are not necessarily observable even when an inspection is undertaken. Future acquisitions could pose additional risks to our operations and financial results, including:

Problems integrating the purchased operations, personnel or technologies;

- Unanticipated costs;
- Diversion of resources and management attention from our exploration business;
- Entry into regions or markets in which we have limited or no prior experience; and
- Potential loss of key employees, particularly those of the acquired organization.

We cannot control the activities on properties we do not operate, which may affect the timing and success of our future operations.

Other companies operate some of the properties in which we have an interest. As a result, we have a limited ability to exercise influence over operations for these properties or their associated costs. Our dependence on the operator and other working interest owners for these projects and our limited ability to influence operations and associated costs could have a material adverse affect on the realization of our targeted returns on capital in drilling or acquisition activities. The success and timing of our drilling and development activities on properties operated by others therefore depend upon a number of factors that are outside of our control, including:

- Timing and amount of capital expenditures;
- The operator s expertise and financial resources;
- Approval of other participants in drilling wells; and
- Selection of technology.

Technological changes could affect our operations.

The natural gas and oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. As others use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement such new technologies at substantial costs. In addition, many other natural gas and oil companies have greater financial, technical and personnel resources that may allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. We may be unable to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If one or more of the technologies that we currently use or may implement in the future were to become obsolete or if we are unable to use the most advanced commercially available technology, it could have a material adverse effect on our financial condition, future cash flows and the results of operations.

Rapid growth could result in a strain on our resources.

Because of our size, our growth, if achieved, will likely place a significant strain on our financial, technical, operational and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems or the occurrence of unexpected expansion difficulties, including the recruitment and retention of experienced managers, geoscientists and engineers, could have a material adverse effect on our business, financial condition and results of operations and our ability to timely execute our business plan.

Our ability to successfully execute and maximize our business plan is dependent on our ability to obtain adequate financing.

Our 2008 capital expenditures under our current business plan are estimated to total approximately $65.4 million, of which $43.4 million is estimated to be spent on unconventional natural gas and oil exploration and development operations in East Texas, $7.4 million is estimated to be spent on CBM projects and additional projects in the United States and $14.6 million is estimated to be spent on CBM projects in Australia. Our business plan, which includes participation in 3-D seismic shoots, the drilling of exploration prospects and development projects and producing property acquisitions, has required and will continue to require substantial capital

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expenditures. We will require additional financing to fund our planned growth and scheduled debt maturities beyond the next 12 months. Our ability to raise additional capital will depend on the results of our operations and the status of various capital and industry markets at the time we seek such capital. Accordingly, we cannot be certain that additional financing will be available to us on acceptable terms, if at all. In particular, the terms of our credit agreements limit our ability to incur additional indebtedness. In the event additional capital resources are unavailable, we may be required to curtail our exploration and development activities or be forced to sell some of our assets in an untimely fashion or on less than favorable terms.

Hedging of our production may result in losses or prevent us from benefiting to the fullest extent possible from increases in prices for natural gas and oil.

In September 2007, we commenced hedging our natural gas production utilizing costless collars. Although these hedges may partially protect us from by declines in natural gas prices, the use of these arrangements may limit our ability to benefit from significant increases in the prices of natural gas.

Exchange rate fluctuations subject us to unique risks.

As our Australian activities increase, we will be increasingly exposed to the impact of fluctuations in the exchange rate between the Australian dollar and the U.S. dollar. We have only minimal exposure to Canadian currency fluctuations, as almost all of our current revenues and expenses are in U.S. dollars.

We depend on our key personnel, the loss of which could adversely affect our operations and financial performance.

We depend to a large extent on the services of a limited number of senior management personnel and directors. Particularly, the loss of the services of our chief executive officer, chief financial officer and chief operating officer could negatively impact our future operations. We have employment agreements with these key members of our senior management team; although, we do not maintain key-man life insurance on any of our senior management. We believe that our success is also dependent on our ability to continue to retain the services of skilled technical personnel. Our inability to retain skilled technical personnel could have a material adverse effect on our financial condition, future cash flows and the results of operations.

Our major shareholder may influence the activities and operations of certain jointly owned properties, which also could result in conflicts of interest.

As of March 31, 2008, Chesapeake Energy Corporation owned approximately 16.3% of our outstanding common shares. As a result, Chesapeake is in a position to heavily influence the outcome of matters requiring a shareholder vote, including the election of directors, the adoption of or amendment to provisions in our Amended and Restated Articles of Incorporation, Bylaws and the approval of mergers and other significant corporate transactions. Their high level of ownership may also delay, defer or prevent a change in control of us and may adversely affect the voting and other rights of other shareholders. Chesapeake has the right to have an observer present at our board of directors meetings.

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Chesapeake and its subsidiaries are also engaged in the natural gas and oil business. Although we have entered into a joint operating agreement with Chesapeake, it is possible that we may in some circumstances be in direct or indirect competition with Chesapeake, including competition with respect to certain business strategies and transactions that we may propose to undertake. These conflicts of interest may have a material adverse affect our results of operations.

Some of our directors may not be subject to suit in the United States.

Two of our directors reside in Canada. As a result, it may be difficult or impossible to effect service of process within the United States upon those directors, to bring suit against them in the United States or to enforce in the United States courts any judgment obtained there against them predicated upon any civil liability provisions of the United States federal securities laws. Investors should not assume that Canadian courts will enforce judgments of United States courts obtained in actions against those directors predicated upon the civil liability provisions of the United States federal securities laws or the securities or blue sky laws of any state within the United States or will enforce, in original actions, liabilities against those directors upon the United States federal securities laws or any such state securities or blue sky laws.

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RATIO OF EARNINGS TO FIXED CHARGES

We have computed our ratio of earnings to fixed charges for the three months ended March 31, 2008 and 2007 and for each of our fiscal years ended December 31, 2007, 2006, 2005, 2004 and 2003. As we reported losses (deficiency with fixed charges)in each of the periods reported, our ratio of earnings to fixed charges was less than zero. The computation of earnings to fixed charges is set forth on Exhibit 12.1 to the registration statement of which this prospectus forms a part.

Ratio of earnings to fixed charges is calculated by dividing earnings by fixed charges from operations for the periods indicated. For purposes of calculating the ratio of earnings to fixed charges, (a) earnings represents pre-tax income from continuing operations plus fixed charges and amortization of capitalized interest, less capitalized interest and (b) fixed charges represents interest expensed and capitalized, amortization of financing costs, early extinguishment of debt and the portion of rent expense deemed to be the equivalent of interest.

You should read the ratio information below in conjunction with the Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto included elsewhere in this prospectus.

	For the Three Months Ended March 31,		For the Years Ended December 31, (in thousands)				
	2008	2007	2007	2006	2005	2004	2003
Loss (deficiency with fixed charges)	$ (1,277)	$ (10,955)	$ (32,392)	$ (84,839)	$ (25,692)	$ (12,776)	$ (4,947)
Ratio of earnings to fixed charges							

USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement we entered into in connection with the issuance of the old notes. We will not receive any cash proceeds from the issuance of the new notes in the exchange offer. In consideration for issuing the new notes as contemplated in this prospectus, we will receive in exchange outstanding old notes in like principal amount. We will cancel all old notes surrendered in exchange for new notes in the exchange offer. As a result, the issuance of the new notes will not result in any increase or decrease in our indebtedness.

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THE EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

We sold $100.0 million in aggregate principal amount at maturity of the old notes, which was completed on November 29, 2007. The old notes were sold to investors in a private placement in the United States in reliance on Section 4(2) and/or Regulation D of the Securities Act or to the initial purchasers who in turn resold the outstanding notes to offshore investors pursuant to Regulation S of the Securities Act.

We sold the old notes in transactions that were exempt from or not subject to the registration requirements under the Securities Act. Accordingly, the old notes are subject to transfer restrictions. In general, you may not offer or sell the old notes unless either the offer and sale thereof are registered under the Securities Act or are exempt from or not subject to registration under the Securities Act and applicable state securities laws.

In the registration rights agreement, we agreed to file an exchange offer registration statement no later than 150 days after the closing date following the offering of the old notes. We also agreed to use our commercially reasonable best efforts to cause the exchange offer registration statement for the new notes to become effective within 240 days after the closing date. Now, to satisfy our obligations under the registration rights agreement, we are offering holders of the old notes who are able to make certain representations described below the opportunity to exchange their notes for the new notes in the exchange offer. The exchange offer will be open for a period of at least 30 days. During the exchange offer period, we will issue the new notes in exchange for all old notes properly surrendered and not withdrawn before the expiration date. The new notes will be registered and the transfer restrictions, registration rights and provisions for additional interest relating to the old notes will not apply to the new notes.

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Terms of Exchange

Subject to the terms and conditions described in this prospectus and in the letter of transmittal, we will accept for exchange any old notes properly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. We will issue new notes in principal amount equal to the principal amount of old notes surrendered in the exchange offer. Old notes may be tendered only for new notes and only in denominations of $2,000 and integral multiples of $1,000.

The exchange offer is not conditioned upon any minimum aggregate principal amount of old notes being tendered in the exchange offer.

As of the date of this prospectus, $100,000,000 in aggregate principal amount of 12¾% Senior Secured Notes due 2012 are outstanding. This prospectus is being sent to DTC, the sole registered holder of the old notes, and to all persons that we can identify as beneficial owners of the old notes. There will be no fixed record date for determining registered holders of old notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the rules and regulations of the Commission. Old notes the holders of which do not tender for exchange in the exchange offer will remain outstanding and continue to accrue interest. These old notes will be entitled to the rights and benefits such holders have under the indenture relating to the old notes and the registration rights agreement.

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We will be deemed to have accepted for exchange properly tendered old notes when we have given oral or written notice of the acceptance to the exchange agent and complied with the applicable provisions of the registration rights agreement. The exchange agent will act as agent for the tendering holders for the purposes of receiving the new notes from us.

If you tender old notes in the exchange offer, you will not be required to pay brokerage commissions or fees or, except to the extent indicated by the instructions to the letter of transmittal, transfer taxes with respect to the exchange of old notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with the exchange offer. Please read Fees and Expenses for more details regarding fees and expenses incurred in connection with the exchange offer. We will return any old notes that we do not accept for exchange for any reason without expense to their tendering holders promptly after the expiration or termination of the exchange offer.

Expiration, Extension and Amendment

The exchange offer will expire at 5:00 p.m., New York City time, on , 2008, unless, in our sole discretion, we extend it.

We expressly reserve the right, at any time or various times, to extend the period of time during which the exchange offer is open. We may delay acceptance of any old notes by giving oral or written notice of such extension to their holders at any time until the exchange offer expires or terminates. During any such extensions, all old notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange.

To extend the exchange offer, we will notify the exchange agent orally or in writing of any extension. We will notify the registered holders of old notes of the extension no later than 9:00 a.m. New York City time on the business day after the previously scheduled expiration date.

Procedures for Tendering

To participate in the exchange offer, you must properly tender your old notes to the exchange agent as described below. We will only issue new notes in exchange for old notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the old notes, and you should follow carefully the instructions on how to tender your old notes. It is your responsibility to properly tender your old notes. We have the right to waive any defects. We are not, however, required to waive defects, and neither we nor the exchange agent is required to notify you of any defects in your tender.

If you have any questions or need help in exchanging your old notes, please call the exchange agent whose address and phone number are described in the letter of transmittal included as Annex A to this prospectus.

All of the old notes were issued in book entry form, and all of the old notes are currently represented by global certificates registered in the name of Cede & Co., the nominee of DTC. We have confirmed with DTC that the old notes may be tendered using ATOP. The exchange agent will establish an account with DTC for purposes of the exchange offer promptly after the commencement of the exchange offer, and DTC participants may electronically transmit their acceptance of the exchange offer by causing DTC to transfer their old notes to the exchange agent using the ATOP procedures. In connection with the transfer, DTC will send an agent s message to the exchange agent. The agent s message will state that DTC has received instructions from the participant to tender old notes and that the participant agrees to be bound by the terms of the letter of transmittal.

By using the ATOP procedures to exchange old notes, you will not be required to deliver a letter of transmittal to the exchange agent. You will, however, be bound by its terms just as if you had signed it.

There is no procedure for guaranteed late delivery of the old notes.

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Determinations Under the Exchange Offer. We will determine in our sole discretion all questions as to the validity, form, eligibility, time of receipt, acceptance of tendered old notes and withdrawal of tendered old notes. Our determination will be final and binding. We reserve the absolute right to reject any old notes not properly tendered or any old notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defect, irregularities or conditions of tender as to particular old notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, all defects or irregularities in connection with tenders of old notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of old notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of old notes will not be deemed made until such defects or irregularities have been cured or waived. Any old notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the tendering holder as soon as practicable following the expiration date of the exchange.

When We Will Issue New Notes. In all cases, we will issue new notes for old notes that we have accepted for exchange under the exchange offer only after the exchange agent receives, prior to 5:00 p.m., New York City time, on the expiration date,

- A book-entry confirmation of such old notes into the exchange agent s account at DTC; and
- A properly transmitted agent s message.

Return of Old notes Not Accepted or Exchanged. If we do not accept any tendered old notes for exchange or if old notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non exchanged old notes will be returned without expense to their tendering holder. Such non exchanged old notes will be credited to an account maintained with DTC. These actions will occur as promptly as practicable after the expiration or termination of the exchange offer.

Valid Tender. By agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- Any new notes that you receive will be acquired in the ordinary course of your business;
- You have no arrangement or understanding with any person or entity to participate in the distribution of the new notes;
- You are not engaged in and do not intend to engage in the distribution of the new notes;
- If you are a broker-dealer that will receive new notes for your own account in exchange for old notes, you acquired those old notes as a result of market-making activities or other trading activities and you will deliver this prospectus, as required by law, in connection with any resale of the new notes; and
- You are not an affiliate, as defined in Rule 405 under the Securities Act, of us.

Withdrawal Rights

Except as otherwise provided in this prospectus, you may withdraw your tender at any time prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. For a withdrawal to be effective you must comply with the appropriate ATOP procedures. Any notice of withdrawal must specify the name and number of the account at DTC to be credited with withdrawn old notes and otherwise comply with the ATOP procedures.

We will determine all questions as to the validity, form, eligibility and time of receipt of a notice of withdrawal. Our determination shall be final and binding on all parties. We will deem any old notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer.

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Any old notes that have been tendered for exchange but that are not exchanged for any reason will be credited to an account maintained with DTC for the old notes. This return or crediting will take place as soon as practicable after withdrawal, rejection of tender, expiration or termination of the exchange offer. You may retender properly withdrawn old notes by following the procedures described under Procedures for Tendering above at any time on or prior to the expiration date of the exchange offer.

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Resales of New Notes

Based on interpretations by the staff of the SEC, as described in no-action letters issued to third parties that are not related to us, we believe that new notes issued in the exchange offer in exchange for old notes may be offered for resale, resold or otherwise transferred by holders of the new notes without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

The new notes are acquired in the ordinary course of the holder s business;

The holders have no arrangement or understanding with any person to participate in the distribution of the new notes;

The holders are not affiliates of ours within the meaning of Rule 405 under the Securities Act; and

The holders are not a broker-dealer who purchased old notes directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act.

However, the SEC has not considered the exchange offer described in this prospectus in the context of a no-action letter. The staff of the SEC may not make a similar determination with respect to the exchange offer as in the other circumstances. Each holder who wishes to exchange old notes for new notes will be required to represent that it meets the above four requirements.

Any holder who is an affiliate of ours or who intends to participate in the exchange offer for the purpose of distributing new notes or any broker-dealer who purchased old notes directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act:

Cannot rely on the applicable interpretations of the staff of the SEC mentioned above;

Will not be permitted or entitled to tender the old notes in the exchange offer; and

Must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction.

Each broker-dealer that receives new notes for its own account in exchange for old notes must acknowledge that the old notes were acquired by it as a result of market-making activities or other trading activities and agree that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. Please read Plan of Distribution . A broker-dealer may use this prospectus, as it may be amended or supplemented from time to time, in connection with the resales of new notes received in exchange for old notes that the broker-dealer acquired as a result of market-making or other trading activities. Any holder that is a broker-dealer participating in the exchange offer must notify the exchange agent at the telephone number set forth in the enclosed letter of transmittal and must comply with the procedures for broker-dealers participating in the exchange offer. We have not entered into any arrangement or understanding with any person to distribute the new notes to be received in the exchange offer.

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In addition, to comply with state securities laws, the new notes may not be offered or sold in any state unless they have been registered or qualified for sale in such state or an exemption from registration or qualification, with which there has been compliance, is available. The offer and sale of the new notes to qualified institutional buyers, as defined under Rule 144A of the Securities Act, is generally exempt from registration or qualification under the state securities laws. We currently do not intend to register or qualify the sale of new notes in any state where an exemption from registration or qualification is required and not available.

Exchange Agent

Wells Fargo Bank, National Association has been appointed as the exchange agent for the exchange offer. Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal should be directed to the exchange agent addressed as follows:

Wells Fargo Bank, National Association

By Facsimile for Eligible Institutions:
(214) 777-4086
Attention: Patrick T. Giordano

By Registered and Certified Mail:
Wells Fargo Bank, NA
Corporate Trust Operations
MAC N9303-121
PO Box 1517
Minneapolis, MN 55480

By Regular Mail or Overnight Courier:
Wells Fargo Bank, NA
Corporate Trust Operations
MAC N9303-121
Sixth & Marquette Avenue

Minneapolis, MN 55479

In person by hand only:
Wells Fargo Bank, NA
12th Floor - Northstar East Building
Corporate Trust Operations
608 Second Avenue South

Minneapolis, MN

Confirm by Telephone:
(214) 740-1573

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, we may make additional solicitation by telegraph, telephone or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer manager in connection with the exchange offer and will not make any payments to broker dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out of pocket expenses.

We will pay the cash expenses to be incurred in connection with the exchange offer. They include:

Commission registration fees;

Fees and expenses of the exchange agent and trustee;

- Accounting and legal fees and printing costs; and

- Related fees and expenses.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of old notes under the exchange offer. Each tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if a transfer tax is imposed for any reason other than the exchange of old notes under the exchange offer.

Consequences of Failure to Exchange Outstanding Securities

If you do not exchange your old notes for new notes under the exchange offer, the old notes you hold will continue to be subject to the existing restrictions on transfer. In general, you may not offer or sell the old notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not intend to register old notes under the Securities Act unless the registration rights agreement requires us to do so.

Accounting Treatment

We will record the new notes in our accounting records at the same carrying value as the old notes. This carrying value is the aggregate principal amount of the old notes, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer, other than the recognition of the fees and expenses of the offering as stated under Fees and Expenses.

Other

Participation in the exchange offer is voluntary, and you should consider carefully whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered old notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any old notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered old notes.

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. Forward-looking statements give our current expectations or forecasts of future events. These statements can be identified by the use of forward-looking words, including may , expect , anticipate , plan , project , believe , estimate , intend , will , should or other similar words. Forward-looking statements may include statements that relate to, among other things, our:

- Financial position;
- Business strategy and budgets;
- Anticipated capital expenditures;
- Drilling of wells;
- Natural gas and oil reserves;
- Timing and amount of future production of natural gas and oil;
- Operating costs and other expenses;
- Cash flow and anticipated liquidity;
- Prospect development; and
- Property acquisitions and sales.

Although we believe the expectations reflected in such forward-looking statements are reasonable, we cannot assure you that such expectations will occur. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from actual future results expressed or implied by the forward-looking statements. These factors include among others:

- Low and/or declining prices for natural gas and oil;
- Demand for natural gas and oil;

Natural gas and oil price volatility;

The risks associated with exploration, including cost overruns and the drilling of non-economic wells or dry holes;

Ability to raise capital to fund capital expenditures;

The ability to find, acquire, market, develop and produce new natural gas and oil properties;

Uncertainties in the estimation of proved reserves and in the projection of future rates of production and timing of development expenditures;

Operating hazards inherent to the natural gas and oil business;

Down hole drilling and completion risks that are generally not recoverable from third parties or insurance;

Potential mechanical failure or under-performance of significant wells or pipeline mishaps;

Adverse weather conditions;

Availability and cost of material and equipment, such as drilling rigs and transportation pipelines;

The number of well locations to be drilled and the time frame in which they will be drilled;

Delays in anticipated start-up dates;

Actions or inactions of third-party operators of our properties;

Ability to find and retain skilled personnel;

Strength and financial resources of competitors;

Potential defects in title to our properties;

Federal and state regulatory developments and approvals;

Losses possible from pending or future litigation;

- Environmental risks;

- Worldwide political and economic conditions; and

- Operational and financial risks associated with foreign exploration and production.

For these and other reasons, actual results may differ materially from those projected or implied. We believe it is important to communicate our expectations of future performance to our investors. However, events may occur in the future that we are unable to accurately predict, or over which we have no control. We caution you against putting undue reliance on forward-looking statements or projecting any future results based on such statements.

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All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section and any other cautionary statements that may accompany such forward-looking statements. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events, unless the securities laws require us to do so.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth selected historical consolidated financial data for the three month ended March 31, 2008 and 2007 and for the years ended December 31, 2007, 2006, 2005, 2004 and 2003. The historical financial data as of December 31, 2007 and 2006 and for the years ended December 31, 2007, 2006 and 2005 are derived from our audited consolidated financial statements and the notes thereto included in this prospectus. The unaudited condensed consolidated balance sheet data and statement of operations data at March 31, 2007 and 2008 and for the three month periods ended March 31, 2007 and 2008 are derived from our unaudited condensed combined financial statements and the notes thereto included in this prospectus. The historical financial data as of December 31, 2005, 2004 and 2003 and for the years ended December 31, 2004 and 2003 are derived from our audited consolidated financial statements which are not included in this prospectus. The selected financial data should be read in conjunction with, and is qualified in its entirety by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and the notes thereto included elsewhere in this prospectus.

	For the Three Months Ended March 31,		For the Years Ended December 31,				
	2008	2007	2007	2006	2005	2004	2003
	(unaudited)		(in thousands, except per share and share amounts)				
Revenues:							
Natural gas and oil revenues	$ 16,846	$ 7,515	$ 34,565	$ 26,765	$ 27,442	$ 6,059	$ 1,461
Unrealized natural gas hedge loss	(1,413)						
Expenses:	15,433	7,515	34,565	26,765	27,442	6,059	1,461
Lease operating expenses, production taxes and transportation and treating	2,270	2,312	8,690	8,584	6,910	2,000	712
Depreciation, depletion and amortization	6,409	4,341	21,456	16,332	13,914	3,233	572
Impairment of natural gas and oil properties			28,514	56,280	8,697	6,306	552
Accretion of asset retirement obligation	82	66	281	234	109	52	54
Mineral resource properties		13	(133)	450	65	32	30
General and administrative expenses	4,275	6,792	16,906	13,548	8,710	4,023	1,909
Litigation and settlement expenses		1,365	1,365	2,407			
Total expenses	13,036	14,889	77,079	97,835	38,405	15,646	3,829
Income (loss) from operations	2,397	(7,374)	(42,514)	(71,070)	(10,963)	(9,587)	(2,368)
Other (expenses) income:							
Interest expense	(2,096)	(3,943)	(14,079)	(15,599)	(13,905)	(3,248)	(2,567)
Early extinguishment of debt			(15,684)		(1,356)		
Investment income and other	823	363	3,196	1,836	492	56	18
Gain on sale of assets			38,536				
Foreign transaction gain (loss)	(37)	(1)	5	(6)	40	3	91
INCOME (LOSS) BEFORE INCOME TAXES	1,087	(10,955)	(30,540)	(84,839)	(25,692)	(12,776)	(4,826)
Provision for income taxes							
NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	1,087	(10,955)	(30,540)	(84,839)	(25,692)	(12,776)	(4,826)

Cumulative effect of a change in accounting principle							(121)
NET INCOME (LOSS)	$ 1,087	$ (10,955)	$ (30,540)	$ (84,839)	$ (25,692)	$ (12,776)	$ (4,947)
NET INCOME (LOSS) PER SHARE:							
Basic and diluted	$ 0.01	$ (0.06)	$ (0.15)	$ (0.50)	$ (0.20)	$ (0.12)	$ (0.05)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:							
Basic and diluted	207,098,570	195,015,561	202,828,792	170,014,733	129,398,548	111,374,446	104,958,180

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As of and for the Three Months Ended March 31,		As of and for the Years Ended December 31,	
2008	2007	2007	2006