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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

FOR THE QUARTERLY PERIOD ENDED September 30, 2015

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_ TO \_\_\_\_

Commission File Number: 001-35211

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**GASTAR EXPLORATION INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**1331 Lamar Street, Suite 650**  
**Houston, Texas**  
(Address of principal executive offices)

**38-3531640**  
(I.R.S. Employer  
Identification No.)

**77010**  
(Zip Code)

**(713) 739-1800**  
(Registrant's telephone number, including area code)

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

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

Indicate by check mark 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

The total number of outstanding common shares, \$0.001 par value per share, as of November 2, 2015 was 80,147,147.

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**GASTAR EXPLORATION INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**For the three and nine months ended September 30, 2015**  
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*On November 14, 2013, Gastar Exploration Ltd., an Alberta, Canada corporation, changed its jurisdiction of incorporation to the State of Delaware and changed its name to “Gastar Exploration, Inc.” On January 31, 2014, Gastar Exploration, Inc. merged with and into Gastar Exploration USA, Inc., its direct subsidiary, as part of a reorganization to eliminate Gastar Exploration, Inc.’s holding company corporate structure. Pursuant to the merger agreement, shares of Gastar Exploration, Inc.’s common stock were converted into an equal number of shares of common stock of Gastar Exploration USA, Inc., and Gastar Exploration USA, Inc. changed its name to “Gastar Exploration Inc.” Gastar Exploration Inc. owns and continues to conduct Gastar Exploration, Inc.’s business in substantially the same manner as was being conducted prior to the merger.*

*Unless otherwise indicated or required by the context, (i) for any date or period prior to the January 31, 2014 merger described above, “Gastar,” the “Company,” “we,” “us,” “our” and similar terms refer collectively to Gastar Exploration, Inc. (formerly known as Gastar Exploration Ltd.) and its subsidiaries, including Gastar Exploration Inc. (formerly known as Gastar Exploration USA, Inc.), and for any date or period after January 31, 2014, such terms refer collectively to Gastar Exploration Inc. and its subsidiaries and (ii) all dollar amounts appearing in this Form 10-Q are stated in United States dollars (“U.S. dollars”) unless otherwise noted and (iii) all financial data included in this Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).*

*General information about us can be found on our website at [www.gastar.com](http://www.gastar.com). The information available on or through our website, or about us on any other website, is neither incorporated into, nor part of, this report. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings that we make with the U.S. Securities and Exchange Commission (“SEC”), as well as any amendments and exhibits to those reports, will be available free of charge through our website as soon as reasonably practicable after we file or furnish them to the SEC. Information is also available on the SEC website at [www.sec.gov](http://www.sec.gov) for our U.S. filings.*

## Glossary of Terms

AMI	Area of mutual interest, an agreed designated geographic area where co-participants or other industry participants have a right of participation in acquisitions and operations
Bbl	Barrel of oil, condensate or NGLs
Bbl/d	Barrels of oil, condensate or NGLs per day
Bcf	One billion cubic feet of natural gas
Bcfe	One billion cubic feet of natural gas equivalent, calculated by converting liquids volumes on the basis of 1/6th of a barrel of oil, condensate or NGLs per Mcf
Boe	One barrel of oil equivalent determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or NGLs
Boe/d	Barrels of oil equivalent per day
Btu	British thermal unit, typically used in measuring natural gas energy content
CRP	Central receipt point
FASB	Financial Accounting Standards Board
Gross acres	Refers to acres in which we own a working interest
Gross wells	Refers to wells in which we have a working interest
MBbl	One thousand barrels of oil, condensate or NGLs
MBbl/d	One thousand barrels of oil, condensate or NGLs per day
MBoe	One thousand barrels of oil equivalent, calculated by converting natural gas volumes on the basis of 6 Mcf of natural gas per barrel
MBoe/d	One thousand barrels of oil equivalent per day
Mcf	One thousand cubic feet of natural gas
Mcf/d	One thousand cubic feet of natural gas per day
Mcfe	One thousand cubic feet of natural gas equivalent, calculated by converting liquids volumes on the basis of 1/6th of a barrel of oil, condensate or NGLs per Mcf
MMBtu/d	One million British thermal units per day
MMcf	One million cubic feet of natural gas
MMcf/d	One million cubic feet of natural gas per day
MMcfe	One million cubic feet of natural gas equivalent, calculated by converting liquids volumes on the basis of 1/6th of a barrel of oil, condensate or NGLs per Mcf
MMcfe/d	One million cubic feet of natural gas equivalent per day
Net acres	Refers to our proportionate interest in acreage resulting from our ownership in gross acreage
Net wells	Refers to gross wells multiplied by our working interest in such wells
NGLs	Natural gas liquids
NYMEX	New York Mercantile Exchange
PBU	Performance based unit comprising one of our compensation plan awards
psi	Pounds per square inch
U.S.	United States of America
U.S. GAAP	Accounting principles generally accepted in the United States of America

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**GASTAR EXPLORATION INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2015	December 31, 2014
	(Unaudited)	
	(in thousands, except share data)	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 10,351	\$ 11,008
Accounts receivable, net of allowance for doubtful accounts of \$0, respectively	9,860	30,841
Commodity derivative contracts	16,895	19,687
Prepaid expenses	611	2,083
Total current assets	<u>37,717</u>	<u>63,619</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Oil and natural gas properties, full cost method of accounting:		
Unproved properties, excluded from amortization	91,126	128,274
Proved properties	1,233,716	1,124,367
Total oil and natural gas properties	1,324,842	1,252,641
Furniture and equipment	3,061	3,010
Total property, plant and equipment	1,327,903	1,255,651
Accumulated depreciation, depletion and amortization	(891,414)	(563,351)
Total property, plant and equipment, net	436,489	692,300
<b>OTHER ASSETS:</b>		
Commodity derivative contracts	10,710	7,815
Deferred charges, net	2,625	2,586
Advances to operators and other assets	686	9,474
Total other assets	14,021	19,875
<b>TOTAL ASSETS</b>	<u>\$ 488,227</u>	<u>\$ 775,794</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 12,952	\$ 28,843
Revenue payable	5,350	9,122
Accrued interest	10,565	3,528
Accrued drilling and operating costs	6,672	5,977
Advances from non-operators	—	1,820
Commodity derivative premium payable	2,393	2,481
Asset retirement obligation	88	82
Other accrued liabilities	3,123	3,175
Total current liabilities	<u>41,143</u>	<u>55,028</u>
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt	397,189	360,303
Commodity derivative contracts	309	—
Commodity derivative premium payable	3,588	4,702
Asset retirement obligation	6,052	5,475
Total long-term liabilities	<u>407,138</u>	<u>370,480</u>
Commitments and contingencies (Note 11)		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, 40,000,000 shares authorized		
Series A Preferred stock, par value \$0.01 per share; 10,000,000 shares designated; 4,045,000 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively, with liquidation preference of \$25.00 per share	41	41
Series B Preferred stock, par value \$0.01 per share; 10,000,000 shares designated; 2,140,000 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively, with liquidation preference of \$25.00 per share	21	21
Common stock, par value \$0.001 per share; 275,000,000 shares authorized; 80,147,147 and 78,632,810 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	78	78
Additional paid-in capital	570,937	568,440
Accumulated deficit	(531,131)	(218,294)
Total stockholders' equity	<u>39,946</u>	<u>350,286</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 488,227</u>	<u>\$ 775,794</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**GASTAR EXPLORATION INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
(in thousands, except share and per share data)				
<b>REVENUES:</b>				
Oil and condensate	\$ 12,835	\$ 22,793	\$ 45,772	\$ 61,913
Natural gas	3,459	7,151	14,109	40,129
NGLs	791	5,139	5,071	16,689
Total oil, condensate, natural gas and NGLs revenues	17,085	35,083	64,952	118,731
Gain (loss) on commodity derivatives contracts	11,301	6,663	19,734	(8,761)
Total revenues	28,386	41,746	84,686	109,970
<b>EXPENSES:</b>				
Production taxes	655	1,558	2,317	5,489
Lease operating expenses	5,214	4,136	18,475	13,057
Transportation, treating and gathering	615	397	1,654	3,168
Depreciation, depletion and amortization	15,394	11,111	45,945	33,773
Impairment of oil and natural gas properties	181,966	—	282,118	—
Accretion of asset retirement obligation	131	129	387	376
General and administrative expense	4,683	4,002	13,352	12,658
Total expenses	208,658	21,333	364,248	68,521
<b>(LOSS) INCOME FROM OPERATIONS</b>	<b>(180,272)</b>	<b>20,413</b>	<b>(279,562)</b>	<b>41,449</b>
<b>OTHER INCOME (EXPENSE):</b>				
Interest expense	(7,933)	(6,991)	(22,430)	(20,794)
Investment income and other	4	4	10	15
Foreign transaction loss	—	(1)	—	(7)
<b>(LOSS) INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<b>(188,201)</b>	<b>13,425</b>	<b>(301,982)</b>	<b>20,663</b>
Provision for income taxes	—	—	—	—
<b>NET (LOSS) INCOME</b>	<b>(188,201)</b>	<b>13,425</b>	<b>(301,982)</b>	<b>20,663</b>
Dividends on preferred stock	(3,618)	(3,618)	(10,855)	(10,805)
<b>NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ (191,819)</b>	<b>\$ 9,807</b>	<b>\$ (312,837)</b>	<b>\$ 9,858</b>
<b>NET (LOSS) INCOME PER SHARE OF COMMON STOCK ATTRIBUTABLE TO COMMON STOCKHOLDERS:</b>				
Basic	\$ (2.47)	\$ 0.16	\$ (4.04)	\$ 0.17
Diluted	\$ (2.47)	\$ 0.15	\$ (4.04)	\$ 0.16
<b>WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:</b>				
Basic	77,628,120	60,006,903	77,453,251	58,982,709
Diluted	77,628,120	63,399,446	77,453,251	62,306,480

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**GASTAR EXPLORATION INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<u>For the Nine Months Ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
	(in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (301,982)	\$ 20,663
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation, depletion and amortization	45,945	33,773
Impairment of oil and natural gas properties	282,118	—
Stock-based compensation	3,927	3,704
Mark to market of commodity derivatives contracts:		
Total (gain) loss on commodity derivatives contracts	(19,734)	8,761
Cash settlements of matured commodity derivatives contracts, net	17,913	(7,705)
Cash premiums paid for commodity derivatives contracts	(45)	(185)
Amortization of deferred financing costs	2,652	2,270
Accretion of asset retirement obligation	387	376
Settlement of asset retirement obligation	(80)	(580)
Changes in operating assets and liabilities:		
Accounts receivable	22,552	(4,242)
Prepaid expenses	1,472	(697)
Accounts payable and accrued liabilities	(289)	4,143
Net cash provided by operating activities	<u>54,836</u>	<u>60,281</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Development and purchase of oil and natural gas properties	(121,074)	(100,818)
Advances to operators	(2,325)	(43,337)
Acquisition of oil and natural gas properties - refund	—	4,209
Proceeds from sale of oil and natural gas properties	47,866	3,077
(Payments to) proceeds from non-operators	(1,820)	2,422
Purchase of furniture and equipment	(51)	(300)
Net cash used in investing activities	<u>(77,404)</u>	<u>(134,747)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from revolving credit facility	75,000	58,000
Repayment of revolving credit facility	(40,000)	(58,000)
Proceeds from issuance of common stock, net of issuance costs	—	101,513
Proceeds from issuance of preferred stock, net of issuance costs	—	2,064
Dividends on preferred stock	(10,855)	(10,805)
Deferred financing charges	(804)	(405)
Tax withholding related to restricted stock and performance based unit award vestings	(1,430)	(3,709)
Other	—	13
Net cash provided by financing activities	<u>21,911</u>	<u>88,671</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(657)	14,205
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11,008	32,393
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 10,351</u>	<u>\$ 46,598</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**GASTAR EXPLORATION INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Description of Business**

Gastar Exploration Inc. (the “Company” or “Gastar”) is an independent energy company engaged in the exploration, development and production of oil, condensate, natural gas and NGLs in the U.S. Gastar’s principal business activities include the identification, acquisition, and subsequent exploration and development of oil and natural gas properties with an emphasis on unconventional reserves, such as shale resource plays. In Oklahoma, Gastar is developing the primarily oil-bearing reservoirs of the Hunton Limestone horizontal oil play and is testing other prospective formations on the same acreage, including the Meramec Shale and the Woodford Shale, which is commonly referred to as the STACK Play, and emerging prospective plays in the shallow Oswego formation and in the Osage formation, a deeper bench of the Mississippi Lime located below the Meramec. In West Virginia, Gastar has developed liquids-rich natural gas in the Marcellus Shale and has drilled and completed two successful dry gas Utica Shale/Point Pleasant wells on its acreage. Gastar has engaged a third-party to market certain Marcellus Shale and Utica/Point Pleasant acreage, primarily located in Marshall and Wetzel Counties, West Virginia, including producing wells.

For any date or period prior to January 31, 2014, “Gastar,” the “Company,” “we,” “us,” “our” and similar terms refer collectively to Gastar Exploration, Inc. (formerly known as Gastar Exploration Ltd.) and its subsidiaries, including Gastar Exploration Inc. (formerly known as Gastar Exploration USA, Inc.), and for any date or period after January 31, 2014, such terms refer collectively to Gastar Exploration Inc. and its subsidiaries.

**2. Summary of Significant Accounting Policies**

The accounting policies followed by the Company are set forth in the notes to the Company’s audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2014 (the “2014 Form 10-K”) filed with the SEC. Please refer to the notes to the consolidated financial statements included in the 2014 Form 10-K for additional details of the Company’s financial condition, results of operations and cash flows. No material item included in those notes has changed except as a result of normal transactions in the interim or as disclosed within this report.

The unaudited interim condensed consolidated financial statements of the Company included herein are stated in U.S. dollars and were prepared from the records of the Company by management in accordance with U.S. GAAP applicable to interim financial statements and reflect all normal and recurring adjustments, which are, in the opinion of management, necessary to provide a fair presentation of the results of operations and financial position for the interim periods. Such financial statements conform to the presentation reflected in the 2014 Form 10-K. The current interim period reported herein should be read in conjunction with the financial statements and accompanying notes, including Item 8. “Financial Statements and Supplementary Data, Note 2 – Summary of Significant Accounting Policies,” included in the 2014 Form 10-K.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates with regard to these financial statements include the estimate of proved oil and natural gas reserve quantities and the related present value of estimated future net cash flows.

The unaudited interim condensed consolidated financial statements of the Company include the consolidated accounts of all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain reclassifications of prior year balances have been made to conform to the current year presentation; these reclassifications have no impact on net income (loss).

The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued and has disclosed certain subsequent events in these condensed consolidated financial statements, as appropriate.

## **Recent Accounting Developments**

The following recently issued accounting pronouncements may impact the Company in future periods:

**Business Combinations.** In September 2015, the FASB issued updated guidance as part of its simplification initiative that require that an acquirer in a business combination recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, depletion and amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The update is effective for public business entities for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years and should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

**Debt Issuance Costs.** In April 2015, the FASB issued updated guidance regarding simplification of the presentation of debt issuance costs. The updated guidance requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

**Going Concern.** In August 2014, the FASB issued updated guidance related to determining whether substantial doubt exists about an entity's ability to continue as a going concern. The amendment provides guidance for determining whether conditions or events give rise to substantial doubt that an entity has the ability to continue as a going concern within one year following issuance of the financial statements, and requires specific disclosures regarding the conditions or events leading to substantial doubt. The updated guidance is effective for annual reporting periods and interim periods within those annual periods beginning after December 15, 2016. Earlier adoption is permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

**Revenue Recognition.** In May 2014, the FASB issued an amendment to previously issued guidance regarding the recognition of revenue. The FASB and the International Accounting Standards Board initiated a joint project to clarify the principles for recognizing revenue and to develop a common standard that would (i) remove inconsistencies and weaknesses in revenue requirements, (ii) provide a more robust framework for addressing revenue issues, (iii) improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, (iv) provide more useful information to users of financial statements through improved disclosure requirements and (v) simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, an entity should apply the following steps: (1) identify the contract(s) with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. This guidance supersedes prior revenue recognition requirements and most industry-specific guidance throughout the FASB Accounting Standards Codification. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. In April 2015, the FASB proposed to delay the effective date one year, beginning in fiscal year 2018 and such proposal was subsequently adopted by the FASB in August 2015. The Company is currently evaluating the effect that adopting this guidance will have on its financial position, results of operations or cash flows and does not expect the adoption of this guidance to materially impact its operating results, financial position or cash flows.

### 3. Property, Plant and Equipment

The amount capitalized as oil and natural gas properties was incurred for the purchase and development of various properties in the U.S., located in the states of Oklahoma, Pennsylvania and West Virginia.

The following table summarizes the components of unproved properties excluded from amortization at the dates indicated:

	September 30, 2015	December 31, 2014
(in thousands)		
Unproved properties, excluded from amortization:		
Drilling in progress costs	\$ 15,302	\$ 29,193
Acreage acquisition costs	65,190	91,362
Capitalized interest	10,634	7,719
Total unproved properties excluded from amortization	<u>\$ 91,126</u>	<u>\$ 128,274</u>

The full cost method of accounting for oil and natural gas properties requires a quarterly calculation of a limitation on capitalized costs, often referred to as a full cost ceiling calculation. The ceiling is the present value (discounted at 10% per annum) of estimated future cash flow from proved oil, condensate, natural gas and NGLs reserves reduced by future operating expenses, development expenditures, abandonment costs (net of salvage) to the extent not included in oil and natural gas properties pursuant to authoritative guidance and estimated future income taxes thereon. To the extent that the Company's capitalized costs (net of accumulated depletion and deferred taxes) exceed the ceiling at the end of the reported period, the excess must be written off to expense for such period. Once incurred, this impairment of oil and natural gas properties is not reversible at a later date even if oil and natural gas prices increase. The ceiling calculation is determined using a mandatory trailing 12-month unweighted arithmetic average of the first-day-of-the-month commodities pricing and costs in effect at the end of the period, each of which are held constant indefinitely (absent specific contracts with respect to future prices and costs) with respect to valuing future net cash flows from proved reserves for this purpose. The 12-month unweighted arithmetic average of the first-day-of-the-month commodities prices are adjusted for basis and quality differentials in determining the present value of the proved reserves. The table below sets forth relevant pricing assumptions utilized in the quarterly ceiling test computations for the respective periods noted before adjustment for basis and quality differentials:

	2015			
	Total Impairment	September 30	June 30	March 31
Henry Hub natural gas price (per MMBtu) <sup>(1)</sup>	\$ 3.06	\$ 3.39	\$ 3.88	
West Texas Intermediate oil price (per Bbl) <sup>(1)</sup>	\$ 59.21	\$ 71.68	\$ 82.72	
Impairment recorded (pre-tax) (in thousands)	\$ 282,118	\$ 181,966	\$ 100,152	\$ —

  

	2014			
	Total Impairment	September 30	June 30	March 31
Henry Hub natural gas price (per MMBtu) <sup>(1)</sup>	\$ 4.24	\$ 4.10	\$ 3.99	
West Texas Intermediate oil price (per Bbl) <sup>(1)</sup>	\$ 99.08	\$ 100.11	\$ 98.30	
Impairment recorded (pre-tax) (in thousands)	\$ —	\$ —	\$ —	\$ —

(1) For the respective periods, oil and natural gas prices are calculated using the trailing 12-month unweighted arithmetic average of the first-day-of-the-month prices based on Henry Hub spot natural gas prices and West Texas Intermediate spot oil prices.

The Company expects to incur a further ceiling test impairment in the fourth quarter of 2015 assuming commodities prices do not increase dramatically. While it is difficult to project future impairment charges in light of numerous variables involved, the following analysis using basic assumptions is provided to illustrate the impact of lower commodities pricing on impairment charges and proved reserves volumes. Applying the actual October 1, 2015 average benchmark commodities prices of \$44.74 per barrel for crude oil and \$2.48 per Mcf for natural gas to November 1, 2015 and December 1, 2015, the Company forecasts that the benchmark 12-month average price applicable to year-end 2015 proved reserves under SEC rules would decrease to \$50.37 per barrel for crude oil and \$2.66 per Mcf for natural gas. If such pricing was used in applying the Company's September 30, 2015 ceiling test for impairment, the Company estimates its impairment charge for the quarter ended September 30, 2015 would have increased by approximately \$136.0 million.

The Company's estimated proved reserve volumes were 91.4 MMBoe at June 30, 2015 using the SEC-mandated historical twelve-month unweighted average pricing at such date. If such reserves estimates were made using the further reduced twelve-month average benchmark prices forecast for year-end 2015 as described in the foregoing paragraph and without regard to cost savings, reserve additions or other further revisions to reserves other than as a result of such pricing changes, the Company's internally estimated proved reserves as of June 30, 2015, excluding the impact of recent sales, would decrease by approximately 33.3 MMBoe primarily as a result of the loss of proved undeveloped locations and tail-end volumes which would not be economically producible at such lower prices. The foregoing estimates do not include any proved reserves expected to be acquired in the Company's pending acquisition of interests in producing wells and acreage from the Company's Mid-Continent AMI co-participant and certain other sellers, or proved reserves added through drilling activity since June 30, 2015. The Company's proved reserves estimates as of December 31, 2015 and their estimated discounted value and standardized measure will also be impacted by changes in lease operating costs, future development costs, production, exploration and development activities.

#### ***Mid-Continent Acquisition***

On October 14, 2015, the Company entered into a definitive purchase and sale agreement to acquire additional working and net revenue interests in 103 gross (10.2 net) wells producing approximately 625 Boe/d and certain undeveloped acreage in the STACK and Hunton Limestone formations in its existing AMI from its AMI co-participant and other sellers for approximately \$43.3 million and the conveyance of approximately 11,000 net non-core, non-producing acres in Blaine, Major and Kingfisher Counties, Oklahoma to the sellers, subject to certain adjustments and customary closing conditions (the "Purchase Agreement"). The transaction is expected to close on or about November 30, 2015 with an effective date of July 1, 2015. In connection with the acquisition, the AMI participation agreements with the Company's AMI co-participant will be dissolved.

#### ***Mid-Continent Divestiture***

On July 6, 2015, the Company sold to an undisclosed private third party certain non-core assets comprised of 38 gross (16.7 net) wells producing approximately net 170 Boe/d (41% oil) for the three months ended March 31, 2015 and approximately 29,500 gross (19,200 net) acres in Kingfisher County, Oklahoma for approximately \$45.9 million, reflecting an effective date of April 1, 2015 and customary closing adjustments. The sale is reflected as a reduction to the full cost pool and the Company did not record a gain or loss related to the divestiture as it was not significant to the full cost pool.

#### ***Atinum Participation Agreement***

In September 2010, the Company entered into a participation agreement (the "Atinum Participation Agreement") pursuant to which the Company ultimately assigned to an affiliate of Atinum Partners Co., Ltd. ("Atinum" and, together with the Company, the "Atinum co-participants"), for total consideration of \$70.0 million, a 50% working interest in certain undeveloped acreage and wells. Effective June 30, 2011, an AMI was established for additional acreage acquisitions in Ohio, New York, Pennsylvania and West Virginia, excluding the counties of Pendleton, Pocahontas, Preston, Randolph and Tucker, West Virginia. Within this AMI, the Company acts as operator and is obligated to offer any future lease acquisitions within the AMI to Atinum on a 50/50 basis, and Atinum will pay the Company on an annual basis an amount equal to 10% of lease bonuses and third party leasing costs up to \$20.0 million and 5% of such costs on activities above \$20.0 million.

The Atinum co-participants pursued an initial three-year development program that called for the drilling of a minimum of 60 operated horizontal wells by year-end 2013. Due to natural gas price declines, the Atinum co-participants agreed to reduce the minimum wells to be drilled requirements from the originally agreed upon 60 gross wells to 51 gross wells. At September 30, 2015, 74 gross operated horizontal Marcellus Shale wells and two gross operated horizontal Utica Shale/Point Pleasant wells were capable of production under the Atinum Participation Agreement. The Atinum Participation Agreement expired on November 1, 2015 and discussions are currently in progress regarding its replacement.

#### 4. Long-Term Debt

##### *Second Amended and Restated Revolving Credit Facility*

On June 7, 2013, the Company entered into the Second Amended and Restated Credit Agreement among the Company, Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, Swing Line Lender and Issuing Lender and the lenders named therein (the “Revolving Credit Facility”). At the Company's election, borrowings bear interest at the reference rate or the Eurodollar rate plus an applicable margin. The reference rate is the greater of (i) the rate of interest publicly announced by the administrative agent, (ii) the federal funds rate plus 50 basis points and (iii) LIBOR plus 1.0%. The applicable interest rate margin varies from 1.0% to 2.0% in the case of borrowings based on the reference rate and from 2.0% to 3.0% in the case of borrowings based on the Eurodollar rate, depending on the utilization percentage in relation to the borrowing base and subject to adjustments based on the Company's leverage ratio. An annual commitment fee of 0.5% is payable quarterly on the unutilized balance of the borrowing base. The Revolving Credit Facility has a scheduled maturity of November 14, 2017.

The Revolving Credit Facility will be guaranteed by all of the Company's future domestic subsidiaries formed during the term of the Revolving Credit Facility. Borrowings and related guarantees are secured by a first priority lien on certain domestic oil and natural gas properties currently owned by or later acquired by the Company and its subsidiaries, excluding de minimis value properties as determined by the lender. The Revolving Credit Facility is secured by a first priority pledge of the capital stock of each domestic subsidiary, a first priority interest on all accounts receivable, notes receivable, inventory, contract rights, general intangibles and material property of the issuer and 65% of the stock of any foreign subsidiary of the Company.

The Revolving Credit Facility contains various covenants, including, among others:

- Restrictions on liens, incurrence of other indebtedness without lenders' consent and common stock dividends and other restricted payments;
- Maintenance of a minimum consolidated current ratio as of the end of each quarter of not less than 1.0 to 1.0, as adjusted;
- Maintenance of a maximum ratio of net indebtedness to EBITDA of not greater than 4.0 to 1.0, subject to the modifications in Amendment No. 5 set forth below; and
- Maintenance of an interest coverage ratio on a rolling four quarters basis, as adjusted, of EBITDA to interest expense, as of the end of each quarter, to be less than 2.5 to 1.0, subject to the modifications in Amendment No. 5 set forth below.

All outstanding amounts owed become due and payable upon the occurrence of certain usual and customary events of default, including, among others:

- Failure to make payments;
- Non-performance of covenants and obligations continuing beyond any applicable grace period; and
- The occurrence of a change in control of the Company, as defined under the Revolving Credit Facility.

On March 9, 2015, the Company, together with the parties thereto, entered into a Master Assignment, Agreement and Amendment No. 5 (“Amendment No. 5”) to Second Amended and Restated Credit Agreement. Amendment No. 5 amended the Revolving Credit Facility to, among other things, (i) increase the borrowing base from \$145.0 million to \$200.0 million, (ii) adjust the total leverage ratio for each fiscal quarter ending on or after March 31, 2015 but prior to September 30, 2016, to 5.25 to 1.00; for the fiscal quarter ending on September 30, 2016, to 5.00 to 1.00; for the fiscal quarter ending on December 31, 2016, to 4.75 to 1.00; for the fiscal quarter ending on March 31, 2017, to 4.25 to 1.00; and for each fiscal quarter ending on or after June 30, 2017, to 4.00 to 1.00, (iii) adjust the interest coverage ratio for each fiscal quarter ending on or after March 31, 2015 but prior to March 31, 2016, to 2.00 to 1.00 and for each fiscal quarter ending on or after March 31, 2016, to 2.50 to 1.00, and (iv) add the senior secured leverage ratio covenant, such ratio not to exceed, (a) for each fiscal quarter ending on or after March 31, 2015 but prior to June 30, 2016, 2.25 to 1.00 and (b) for each fiscal quarter ending on or after June 30, 2016, 2.00 to 1.00 provided that this senior secured leverage ratio shall cease to apply commencing with the first fiscal quarter end occurring after June 30, 2016 for which the total leverage ratio is equal to or less than 4.00 to 1.00.

Borrowing base redeterminations are scheduled semi-annually in May and November of each calendar year. The Company and its lender group may each request one additional unscheduled redetermination during any six-month period between scheduled redeterminations. At September 30, 2015, the Revolving Credit Facility had a borrowing base of \$200.0 million, with \$80.0 million borrowings outstanding and availability of \$120.0 million. The next regularly scheduled redetermination is set for May 2016. Future increases in the borrowing base in excess of the original \$50.0 million are limited to 17.5% of the increase in adjusted consolidated net tangible assets as defined in the indenture pursuant to which the Company's senior secured notes are issued (as discussed below in “Senior Secured Notes”).

At September 30, 2015, the Company was in compliance with all financial covenants under the Revolving Credit Facility.

### **Senior Secured Notes**

The Company has \$325.0 million aggregate principal amount of 8 5/8% Senior Secured Notes due May 15, 2018 (the "Notes") outstanding under an indenture (the "Indenture") by and among the Company, the Guarantors named therein (the "Guarantors"), Wells Fargo Bank, National Association, as Trustee (in such capacity, the "Trustee") and Collateral Agent (in such capacity, the "Collateral Agent"). The Notes bear interest at a rate of 8.625% per year, payable semi-annually in arrears on May 15 and November 15 of each year. The Notes mature on May 15, 2018.

In the event of a change of control, as defined in the Indenture, each holder of the Notes will have the right to require the Company to repurchase all or any part of their notes at an offer price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.

The Notes will be guaranteed, jointly and severally, on a senior secured basis by certain future domestic subsidiaries (the "Guarantees"). The Notes and Guarantees will rank senior in right of payment to all of the Company's and the Guarantors' future subordinated indebtedness and equal in right of payment to all of the Company's and the Guarantors' existing and future senior indebtedness. The Notes and Guarantees also will be effectively senior to the Company's unsecured indebtedness and effectively subordinated to the Company's and Guarantors' under the Revolving Credit Facility, any other indebtedness secured by a first-priority lien on the same collateral and any other indebtedness secured by assets other than the collateral, in each case to the extent of the value of the assets securing such obligation.

The Indenture contains covenants that, among other things, limit the Company's ability and the ability of its subsidiaries to:

- Transfer or sell assets or use asset sale proceeds;
- Pay dividends or make distributions, redeem subordinated debt or make other restricted payments;
- Make certain investments; incur or guarantee additional debt or issue preferred equity securities;
- Create or incur certain liens on the Company's assets;
- Incur dividend or other payment restrictions affecting future restricted subsidiaries;
- Merge, consolidate or transfer all or substantially all of the Company's assets;
- Enter into certain transactions with affiliates; and
- Enter into certain sale and leaseback transactions.

These and other covenants that are contained in the Indenture are subject to important limitations and qualifications that are described in the Indenture.

At September 30, 2015, the Notes reflected a balance of \$317.2 million, net of unamortized discounts of \$7.8 million, on the condensed consolidated balance sheets.

### **5. Fair Value Measurements**

The Company's financial assets and liabilities are measured at fair value on a recurring basis. The Company discloses its recognized non-financial assets and liabilities, such as asset retirement obligations, unproved properties and other property and equipment, at fair value on a non-recurring basis. For non-financial assets and liabilities, the Company is required to disclose information that enables users of its financial statements to assess the inputs used to develop these measurements. The Company assesses its unproved properties for impairment whenever events or circumstances indicate the carrying value of those properties may not be recoverable. The fair value of the unproved properties is measured using an income approach based upon internal estimates of future production levels, current and future prices, drilling and operating costs, discount rates, current drilling plans and favorable and unfavorable drilling activity on the properties being evaluated and/or adjacent properties or estimated market data based on area transactions, which are Level 3 inputs. There was no impairment of unproved properties for the three months ended September 30, 2015. For the nine months ended September 30, 2015, management's evaluation of unproved properties resulted in an impairment. Due to continued lower natural gas prices for dry gas and no current plans to drill or extend leases in Marcellus East, the Company reclassified \$60,000 of unproved properties to proved properties for the nine months ended September 30, 2015 related to acreage in Marcellus East. For the three and nine months ended September 30, 2014, management's evaluation of unproved properties resulted in an impairment of \$2.7 million and \$3.2 million, respectively, related to Marcellus East. As no other fair value measurements are required to be recognized on a non-recurring basis at September 30, 2015, no additional disclosures are provided at September 30, 2015.

As defined in the guidance, fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). To estimate fair value, the Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (“Level 1”) and the lowest priority to unobservable inputs (“Level 3”). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company’s cash equivalents consist of short-term, highly liquid investments, which have maturities of 90 days or less, including sweep investments and money market funds.
- Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- Level 3 inputs are measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources. These inputs may be used with internally developed methodologies or third party broker quotes that result in management’s best estimate of fair value. The Company’s valuation models consider various inputs including (a) quoted forward prices for commodities, (b) time value, (c) volatility factors and (d) current market and contractual prices for the underlying instruments. Significant increases or decreases in any of these inputs in isolation would result in a significantly higher or lower fair value measurement. Level 3 instruments are commodity costless collars, index swaps, basis and fixed price swaps and put and call options to hedge natural gas, oil and NGLs price risk. At each balance sheet date, the Company performs an analysis of all applicable instruments and includes in Level 3 all of those whose fair value is based on significant unobservable inputs. The fair values derived from counterparties and third-party brokers are verified by the Company using publicly available values for relevant NYMEX futures contracts and exchange traded contracts for each derivative settlement location. Although such counterparty and third-party broker quotes are used to assess the fair value of its commodity derivative instruments, the Company does not have access to the specific assumptions used in its counterparties valuation models. Consequently, additional disclosures regarding significant Level 3 unobservable inputs were not provided and the Company does not currently have sufficient corroborating market evidence to support classifying these contracts as Level 2 instruments.

As required, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The determination of the fair values below incorporates various factors, including the impact of the counterparty’s non-performance risk with respect to the Company’s financial assets and the Company’s non-performance risk with respect to the Company’s financial liabilities. The Company has not elected to offset the fair value amounts recognized for multiple derivative instruments executed with the same counterparty, but reports them gross on its consolidated balance sheets.

Transfers between levels are recognized at the end of the reporting period. There were no transfers between levels during the 2015 and 2014 periods.

The following tables set forth by level within the fair value hierarchy the Company’s financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2015 and December 31, 2014:

	Fair value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
<b>Assets:</b>				
Cash and cash equivalents	\$ 10,351	\$ —	\$ —	\$ 10,351
Commodity derivative contracts	—	—	27,605	27,605
<b>Liabilities:</b>				
Commodity derivative contracts	—	—	(309)	(309)
<b>Total</b>	<u>\$ 10,351</u>	<u>\$ —</u>	<u>\$ 27,296</u>	<u>\$ 37,647</u>

	Fair value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
<b>Assets:</b>				
Cash and cash equivalents	\$ 11,008	\$ —	\$ —	\$ 11,008
Commodity derivative contracts	—	—	27,502	27,502
<b>Liabilities:</b>				
Commodity derivative contracts	—	—	—	—
<b>Total</b>	<b>\$ 11,008</b>	<b>\$ —</b>	<b>\$ 27,502</b>	<b>\$ 38,510</b>

The table below presents a reconciliation of the assets and liabilities classified as Level 3 in the fair value hierarchy for the three and nine months ended September 30, 2015 and 2014. Level 3 instruments presented in the table consist of net derivatives that, in management's opinion, reflect the assumptions a marketplace participant would have used at September 30, 2015 and 2014.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Balance at beginning of period	\$ 22,373	\$ (4,628)	\$ 27,502	\$ 3,764
Total (losses) gains included in earnings	11,301	6,663	19,734	(8,761)
Purchases	415	30	1,326	369
Issuances	—	—	(1,313)	—
Settlements <sup>(1)</sup>	(6,793)	813	(19,953)	7,506
Balance at end of period	<u>\$ 27,296</u>	<u>\$ 2,878</u>	<u>\$ 27,296</u>	<u>\$ 2,878</u>
The amount of total gains (losses) for the period included in earnings attributable to the change in mark to market of commodity derivatives contracts still held at September 30, 2015 and 2014	<u>\$ 4,511</u>	<u>\$ 7,623</u>	<u>\$ 986</u>	<u>\$ (950)</u>

(1) Included in gain (loss) on commodity derivatives contracts on the condensed consolidated statements of operations.

At September 30, 2015, the estimated fair value of accounts receivable, prepaid expenses, accounts and revenue payables and accrued liabilities approximates their carrying value due to their short-term nature. The estimated fair value of the Company's long-term debt at September 30, 2015 was \$269.3 million based on quoted market prices of the Notes (Level 1) and the respective carrying value of the Revolving Credit Facility because the interest rate approximates the current market rate (Level 2).

The Company has consistently applied the valuation techniques discussed above in all periods presented.

The fair value guidance, as amended, establishes that every derivative instrument is to be recorded on the balance sheet as either an asset or liability measured at fair value. See Note 6, "Derivative Instruments and Hedging Activity."

## 6. Derivative Instruments and Hedging Activity

The Company maintains a commodity price risk management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations that may arise from volatility in commodity prices. The Company uses costless collars, index, basis and fixed price swaps and put and call options to hedge oil, condensate, natural gas and NGLs price risk.

All derivative contracts are carried at their fair value on the balance sheet and all changes in value are recorded in the condensed consolidated statements of operations in (loss) gain on commodity derivatives contracts. For the three months ended September 30, 2015 and 2014, the Company reported gains of \$4.5 million and \$7.6 million, respectively, in the condensed consolidated statements of operations related to the change in the fair value of its commodity derivative contracts still held at September 30, 2015 and 2014. For the nine months ended September 30, 2015 and 2014, the Company reported a gain of \$1.0 million and a loss of \$1.0 million, respectively, in the condensed consolidated statements of operations related to the change in the fair value of its commodity derivative contracts still held at September 30, 2015 and 2014.

As of September 30, 2015, the following crude derivative transactions were outstanding with the associated notional volumes and weighted average underlying hedge prices:

Settlement Period	Derivative Instrument	Average Daily Volume(1)	Total of Notional Volume	Floor (Long)	Short Put	Ceiling (Short)
		(in Bbls)				
2015	Costless three-way collar	400	48,800	\$ 85.00	\$ 70.00	\$ 96.50
2015	Costless three-way collar	312	38,100	\$ 85.00	\$ 65.00	\$ 97.80
2015	Costless three-way collar	50	6,100	\$ 85.00	\$ 65.00	\$ 96.25
2015	Costless collar	750	91,500	\$ 52.50	\$ —	\$ 62.05
2015	Costless collar	300	36,600	\$ 52.50	\$ —	\$ 68.10
2015	Costless collar	700	85,400	\$ 45.00	\$ —	\$ 55.25
2015	Fixed price swap	600	73,200	\$ 72.54	\$ —	\$ —
2015	Fixed price swap	250	30,500	\$ 74.20	\$ —	\$ —
2016	Costless three-way collar	275	100,600	\$ 85.00	\$ 65.00	\$ 95.10
2016	Costless three-way collar	330	120,780	\$ 80.00	\$ 65.00	\$ 97.35
2016	Costless three-way collar	450	164,700	\$ 57.50	\$ 42.50	\$ 80.00
2016	Put spread	550	201,300	\$ 85.00	\$ 65.00	\$ —
2016	Put spread	300	109,800	\$ 85.50	\$ 65.50	\$ —
2017	Costless three-way collar	280	102,200	\$ 80.00	\$ 65.00	\$ 97.25
2017	Costless three-way collar	242	88,150	\$ 80.00	\$ 60.00	\$ 98.70
2017	Costless three-way collar	200	73,000	\$ 60.00	\$ 42.50	\$ 85.00
2017	Put spread	500	182,500	\$ 82.00	\$ 62.00	\$ —
2017	Costless three-way collar	200	73,000	\$ 57.50	\$ 42.50	\$ 76.13
2018(2)	Put spread	425	103,275	\$ 80.00	\$ 60.00	\$ —

(1) Crude volumes hedged include oil, condensate and certain components of our NGLs production.

(2) For the period January to August 2018.

As of September 30, 2015, the following natural gas derivative transactions were outstanding with the associated notional volumes and weighted average underlying hedge prices:

Settlement Period	Derivative Instrument	Average Daily Volume	Total of Notional Volume	Base Fixed Price	Floor (Long)	Short Put	Call (Long)	Ceiling (Short)
		(in MMBtus)						
2015	Fixed price swap	400	48,800	\$ 4.00	\$ —	\$ —	\$ —	\$ —
2015	Fixed price swap	2,500	305,000	\$ 4.06	\$ —	\$ —	\$ —	\$ —
2015	Protective spread	2,600	317,200	\$ 4.00	\$ —	\$ 3.25	\$ —	\$ —
2015	Fixed price swap	5,000	610,000	\$ 3.49	\$ —	\$ —	\$ —	\$ —
2015	Fixed price swap	2,000	244,000	\$ 3.53	\$ —	\$ —	\$ —	\$ —
2015	Producer three-way collar	2,500	305,000	\$ —	\$ 3.70	\$ 3.00	\$ —	\$ 4.09
2015	Producer three-way collar	5,000	610,000	\$ —	\$ 3.77	\$ 3.00	\$ —	\$ 4.11
2015(1)	Producer three-way collar	2,000	122,000	\$ —	\$ 3.00	\$ 2.25	\$ —	\$ 3.34
2015(1)	Fixed price swap	10,000	610,000	\$ 2.94	\$ —	\$ —	\$ —	\$ —
2015(2)	Producer three-way collar	2,500	152,500	\$ —	\$ 3.00	\$ 2.25	\$ —	\$ 3.65
2015	Basis swap <sup>(3)</sup>	2,500	305,000	\$ (1.12)	\$ —	\$ —	\$ —	\$ —
2015	Basis swap <sup>(3)</sup>	2,500	305,000	\$ (1.11)	\$ —	\$ —	\$ —	\$ —
2015	Basis swap <sup>(3)</sup>	2,500	305,000	\$ (1.14)	\$ —	\$ —	\$ —	\$ —
2016(4)	Producer three-way collar	2,500	762,500	\$ —	\$ 3.00	\$ 2.25	\$ —	\$ 3.65
2016	Protective spread	2,000	732,000	\$ 4.11	\$ —	\$ 3.25	\$ —	\$ —
2016	Producer three-way collar	2,000	732,000	\$ —	\$ 4.00	\$ 3.25	\$ —	\$ 4.58
2016	Producer three-way collar	5,000	1,830,000	\$ —	\$ 3.40	\$ 2.65	\$ —	\$ 4.10
2016	Basis swap <sup>(5)</sup>	2,500	915,000	\$ (1.10)	\$ —	\$ —	\$ —	\$ —
2016	Basis swap <sup>(5)</sup>	2,500	915,000	\$ (1.02)	\$ —	\$ —	\$ —	\$ —
2016	Basis swap <sup>(5)</sup>	2,500	915,000	\$ (1.00)	\$ —	\$ —	\$ —	\$ —
2016(6)	Producer three-way collar	7,500	682,500	\$ —	\$ 3.00	\$ 2.50	\$ —	\$ 4.00
2016(7)	Producer three-way collar	5,000	1,375,000	\$ —	\$ 3.00	\$ 2.35	\$ —	\$ 4.00
2017	Short call	10,000	3,650,000	\$ —	\$ —	\$ —	\$ —	\$ 4.75
2017	Basis swap <sup>(5)</sup>	2,500	912,500	\$ (1.02)	\$ —	\$ —	\$ —	\$ —
2017	Basis swap <sup>(5)</sup>	2,500	912,500	\$ (1.00)	\$ —	\$ —	\$ —	\$ —
2017	Producer three-way collar	5,000	1,825,000	\$ —	\$ 3.00	\$ 2.35	\$ —	\$ 4.00
2018	Basis swap <sup>(5)</sup>	2,500	912,500	\$ (1.02)	\$ —	\$ —	\$ —	\$ —
2018	Basis swap <sup>(5)</sup>	2,500	912,500	\$ (1.00)	\$ —	\$ —	\$ —	\$ —
2018	Producer three-way collar	5,000	1,825,000	\$ —	\$ 3.00	\$ 2.35	\$ —	\$ 4.00

- (1) For the month of October 2015.  
(2) For the period November to December 2015.  
(3) Represents basis swaps at the sales point of Dominion South.  
(4) For the period January to October 2016.  
(5) Represents basis swaps at the sales point of TetcoM2.  
(6) For the period January to March 2016.  
(7) For the period April to December 2016.

As of September 30, 2015, the following NGLs derivative transactions were outstanding with the associated notional volumes and weighted average underlying hedge prices:

Settlement Period	Derivative Instrument	Average Daily Volume	Total of Notional Volume	Base Fixed Price
		(in Bbls)		
2015	Fixed price swap	250	30,500	\$ 45.61
2015	Fixed price swap	500	61,000	\$ 20.79
2016	Fixed price swap	500	183,000	\$ 20.79

As of September 30, 2015, all of the Company's economic derivative hedge positions were with a multinational energy company or large financial institutions, which are not known to the Company to be in default on their derivative positions. The Company is exposed to credit risk to the extent of non-performance by the counterparties in the derivative contracts discussed above;

however, the Company does not anticipate non-performance by such counterparties. None of the Company's derivative instruments contain credit-risk related contingent features.

In conjunction with certain derivative hedging activity, the Company deferred the payment of certain put premiums for the production month period October 2015 through December 2018. The put premium liabilities become payable monthly as the hedge production month becomes the prompt production month. The Company amortizes the deferred put premium liabilities as they become payable. The following table provides information regarding the deferred put premium liabilities for the periods indicated:

	September 30, 2015	December 31, 2014
	(in thousands)	
Current commodity derivative put premium payable	\$ 2,393	\$ 2,481
Long-term commodity derivative put premium payable	3,588	4,702
<b>Total unamortized put premium liabilities</b>	<b>\$ 5,981</b>	<b>\$ 7,183</b>
	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
	(in thousands)	
Put premium liabilities, beginning balance	\$ 5,566	\$ 7,183
Amortization of put premium liabilities	—	(2,297)
Additional put premium liabilities	415	1,095
<b>Put premium liabilities, ending balance</b>	<b>\$ 5,981</b>	<b>\$ 5,981</b>

The following table provides information regarding the amortization of the deferred put premium liabilities by year as of September 30, 2015:

	Amortization (in thousands)
January to December 2016	\$ 3,194
January to December 2017	1,819
January to August 2018	968
<b>Total unamortized put premium liabilities</b>	<b>\$ 5,981</b>

#### **Additional Disclosures about Derivative Instruments and Hedging Activities**

The tables below provide information on the location and amounts of derivative fair values in the condensed consolidated statement of financial position and derivative gains and losses in the condensed consolidated statement of operations for derivative instruments that are not designated as hedging instruments:

		Fair Values of Derivative Instruments Derivative Assets (Liabilities)	
		Fair Value	
Balance Sheet Location		September 30, 2015	December 31, 2014
		(in thousands)	
<b>Derivatives not designated as hedging instruments</b>			
Commodity derivative contracts	Current assets	\$ 16,895	\$ 19,687
Commodity derivative contracts	Other assets	10,710	7,815
Commodity derivative contracts	Long-term liabilities	(309)	—
<b>Total derivatives not designated as hedging instruments</b>		<b>\$ 27,296</b>	<b>\$ 27,502</b>

	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives For the Three Months Ended September 30,	
		2015	2014
(in thousands)			
<b>Derivatives not designated as hedging instruments</b>			
Commodity derivative contracts	Gain on commodity derivatives contracts	\$ 11,301	\$ 6,663
<b>Total</b>		<b>\$ 11,301</b>	<b>\$ 6,663</b>

	Location of (Gain) Loss Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives For the Nine Months Ended September 30,	
		2015	2014
(in thousands)			
<b>Derivatives not designated as hedging instruments</b>			
Commodity derivative contracts	Gain (loss) on commodity derivatives contracts	\$ 19,734	\$ (8,761)
<b>Total</b>		<b>\$ 19,734</b>	<b>\$ (8,761)</b>

## 7. Capital Stock

### *Common Stock*

On May 7, 2015, the Company entered into an at-the-market issuance sales agreement with FBR & Co. (formerly MLV & Co. LLC) (the “Sales Agent”) to sell, from time to time through the Sales Agent, shares of the Company's common stock (the “ATM Program”). The shares will be issued pursuant to the Company's existing effective shelf registration statement on Form S-3, as amended (Registration No. 333-193832). The Company registered shares having an aggregate offering price of up to \$50.0 million. During the three and nine months ended September 30, 2015, no shares were sold through the ATM program.

### *Preferred Stock*

The Company currently has 40,000,000 shares of preferred stock authorized for issuance under its certificate of incorporation. The Company has designated 10,000,000 shares to constitute its 8.625% Series A Preferred Stock (the “Series A Preferred Stock”) and 10,000,000 shares to constitute its 10.75% Series B Preferred Stock (the “Series B Preferred Stock”). The Series A Preferred Stock and the Series B Preferred Stock each have a par value of \$0.01 per share and a liquidation preference of \$25.00 per share.

#### *Series A Preferred Stock*

At September 30, 2015, there were 4,045,000 shares of the Series A Preferred Stock issued and outstanding with a \$25.00 per share liquidation preference.

The Series A Preferred Stock ranks senior to the Company's common stock and on parity with the Series B Preferred Stock with respect to the payment of dividends and distribution of assets upon liquidation, dissolution or winding up. The Series A Preferred Stock is subordinated to all of the Company's existing and future debt and all future capital stock designated as senior to the Series A Preferred Stock.

The Series A Preferred Stock cannot be converted into common stock, but may be redeemed, at the Company's option for \$25.00 per share plus any accrued and unpaid dividends.

There is no mandatory redemption of the Series A Preferred Stock.

The Company pays cumulative dividends on the Series A Preferred Stock at a fixed rate of 8.625% per annum of the \$25.00 per share liquidation preference. For the three and nine months ended September 30, 2015, the Company recognized dividend expense of \$2.2 million and \$6.5 million, respectively, for the Series A Preferred Stock.

#### *Series B Preferred Stock*

At September 30, 2015, there were 2,140,000 shares of the Series B Preferred Stock issued and outstanding with a \$25.00 per share liquidation preference.

The Series B Preferred Stock ranks senior to the Company's common stock and on parity with the Series A Preferred Stock with respect to the payment of dividends and distribution of assets upon liquidation, dissolution or winding up. The Series B Preferred Stock are subordinated to all of the Company's existing and future debt and all future capital stock designated as senior to the Series B Preferred Stock.

Except upon a change in ownership or control, as defined in the Series B Preferred Stock certificate of designations of rights and preferences, the Series B Preferred Stock may not be redeemed before November 15, 2018, at or after which time it may be redeemed at the Company's option for \$25.00 per share in cash. Following a change in ownership or control, the Company will have the option to redeem the Series B Preferred Stock within 90 days of the occurrence of the change in control, in whole but not in part for \$25.00 per share in cash, plus accrued and unpaid dividends (whether or not declared), up to, but not including the redemption date. If the Company does not exercise its option to redeem the Series B Preferred Stock upon a change of ownership or control, the holders of the Series B Preferred Stock have the option to convert the shares of Series B Preferred Stock into the Company's common stock based upon an average common stock trading price then in effect but limited to an aggregate of 11.5207 shares of the Company's common stock per share of Series B Preferred Stock, subject to certain adjustments. If the Company exercises any of its redemption rights relating to shares of Series B Preferred Stock, the holders of Series B Preferred Stock will not have the conversion right described above with respect to the shares of Series B Preferred Stock called for redemption.

There is no mandatory redemption of the Series B Preferred Stock.

The Company pays cumulative dividends on the Series B Preferred Stock at a fixed rate of 10.75% per annum of the \$25.00 per share liquidation preference. For the three and nine months ended September 30, 2015, the Company recognized dividend expense of \$1.4 million and \$4.3 million, respectively, for the Series B Preferred Stock.

#### *Other Share Issuances*

The following table provides information regarding the issuances and forfeitures of common stock pursuant to the Company's long-term incentive plan for the periods indicated:

	<b>For the Three Months Ended September 30, 2015</b>	<b>For the Nine Months Ended September 30, 2015</b>
Other share issuances:		
Shares of restricted common stock granted	5,380	1,426,604
Shares of restricted common stock vested	31,282	1,306,154
Shares of common stock issued pursuant to PBUs vested, net of forfeitures	—	497,636
Shares of restricted common stock surrendered upon vesting/exercise <sup>(1)</sup>	3,167	385,405
Shares of restricted common stock forfeited	—	24,498

- (1) Represents shares of common stock forfeited in connection with the payment of estimated withholding taxes on shares of restricted common stock that vested during the period.

On June 12, 2014, the Company's stockholders approved an amendment and restatement to the Gastar Exploration Inc. Long-Term Incentive Plan (the "LTIP"), effective April 24, 2014, to, among other things, increase the number of shares of common stock reserved for issuance under the LTIP by 3,000,000 shares of common stock. There were 2,848,062 shares of common stock available for issuance under the LTIP at September 30, 2015.

## Shares Reserved

At September 30, 2015, the Company had 866,600 common shares reserved for the exercise of stock options.

## 8. Interest Expense

The following table summarizes the components of interest expense for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Interest expense:				
Cash and accrued	\$ 7,703	\$ 7,297	\$ 22,872	\$ 21,639
Amortization of deferred financing costs(1)	916	779	2,652	2,270
Capitalized interest	(686)	(1,085)	(3,094)	(3,115)
Total interest expense	<u>\$ 7,933</u>	<u>\$ 6,991</u>	<u>\$ 22,430</u>	<u>\$ 20,794</u>

- (1) The three months ended September 30, 2015 and 2014 includes \$644,000 and \$584,000, respectively, of debt discount accretion related to the Notes. The nine months ended September 30, 2015 and 2014 includes \$1.9 million and \$1.7 million, respectively, of debt discount accretion related to the Notes.

## 9. Income Taxes

For the three and nine months ended September 30, 2015, respectively, the Company did not recognize a current income tax benefit or provision as the Company has a full valuation allowance against assets created by net operating losses generated. The Company believes it more likely than not that the assets will not be utilized.

## 10. Earnings per Share

In accordance with the provisions of current authoritative guidance, basic earnings or loss per share is computed on the basis of the weighted average number of common shares outstanding during the periods. Diluted earnings or loss per share is computed based upon the weighted average number of common shares outstanding plus the assumed issuance of common shares for all potentially dilutive securities.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands, except per share and share data)			
Net (loss) income attributable to common stockholders	\$ (191,819)	\$ 9,807	\$ (312,837)	\$ 9,858
Weighted average common shares outstanding - basic	77,628,120	60,006,903	77,453,251	58,982,709
Incremental shares from unvested restricted shares	—	2,614,215	—	2,587,345
Incremental shares from outstanding stock options	—	115,421	—	109,755
Incremental shares from outstanding PBUs	—	662,907	—	626,671
Weighted average common shares outstanding - diluted	<u>77,628,120</u>	<u>63,399,446</u>	<u>77,453,251</u>	<u>62,306,480</u>
Net (loss) income per share of common stock attributable to common stockholders:				
Basic	\$ (2.47)	\$ 0.16	\$ (4.04)	\$ 0.17
Diluted	\$ (2.47)	\$ 0.15	\$ (4.04)	\$ 0.16
Common shares excluded from denominator as anti-dilutive:				
Unvested restricted shares	239,161	14,877	146,253	45,203
Stock options	—	—	—	—
Unvested PBUs	503,271	—	84,179	—
Total	<u>742,432</u>	<u>14,877</u>	<u>230,432</u>	<u>45,203</u>

## 11. Commitments and Contingencies

### Litigation

*Gastar Exploration Ltd vs. U.S. Specialty Ins. Co. and Axis Ins. Co. (Cause No.2010-11236) District Court of Harris County, Texas 190th Judicial District.* On February 19, 2010, the Company filed a lawsuit claiming that the Company was due reimbursement of qualifying claims related to the settlement and associated legal defense costs under the Company's directors and officers liability insurance policies related to the ClassicStar Mare Lease Litigation settled on December 17, 2010 for \$21.2 million. The combined coverage limits under the directors and officers liability coverage is \$20.0 million. The District Court granted the underwriters' summary judgment request by a ruling dated January 4, 2012. The Company appealed the District Court ruling and on July 15, 2013, the Fourteenth Court of Appeals of Texas reversed the summary judgment ruling granted against the Company on the basis of the policies' prior-and-pending litigation endorsement and remanded the case for further proceedings in the District Court. The insurers filed a motion for reconsideration in the Fourteenth Court of Appeals, which that court denied. The insurers then sought discretionary review from the Texas Supreme Court, which that court denied on February 27, 2015. The insurers then filed in the Texas Supreme Court a motion for rehearing of their denied petition for review, which the court has denied. The case has now been remanded to the District Court. The District Court proceedings will include, but not be limited to, a determination of the portion of the Company's settlement of the ClassicStar Mare Lease Litigation that is covered by the insuring agreements. On July 28, 2015, the parties submitted briefs in support of their respective positions regarding the issues left to be resolved in the case and the requisite amount of time for such proceedings. On August 11, 2015, the court entered a docket control order establishing the week of March 7, 2016 as the tentative week for the case to go to trial. The court has since canceled that trial date to allow additional time to brief discovery- and coverage-related issues.

*Husky Ventures, Inc. vs. J. Russell Porter, Michael A. Gerlich, Michael McCown, Keith R. Blair, Henry J. Hansen and John M. Selser Sr. (Case No. CIV-15-637-R) United States District Court for the Western District of Oklahoma.* On June 9, 2015, Husky Ventures, Inc. ("Husky") filed this action against five of the Company's senior officers and our non-executive chairman of the board alleging that each of the defendants committed fraud by grossly understating the costs of certain oil and gas interests the Company acquired that were outside a Mid-Continent AMI between Husky and the Company while inflating the costs of interests simultaneously acquired within the AMI. Husky alleges this resulted in the defendants improperly shifting a disproportionate amount of acquisition costs away from the Company and to Husky. Husky sought to recover actual damages alleged to be in excess of \$2.0 million, as well as punitive damages and attorneys' fees. In connection with the Company's entry into the Purchase Agreement (defined above), the Company, five of its senior officers, its non-executive chairman and Husky agreed to the settlement and mutual release of claims that the Company and Husky made against each other in this matter as well as any claims the parties may have had against each other in connection with the AMI participation agreements. In the event that the Purchase Agreement is terminated pursuant to its terms prior to the consummation of the transactions contemplated thereby, the settlement and release will be rescinded.

The Company has been expensing legal costs on these proceedings as they are incurred.

The Company is party to various legal proceedings arising in the normal course of business. The ultimate outcome of each of these matters cannot be absolutely determined, and the liability the Company may ultimately incur with respect to any one of these matters in the event of a negative outcome may be in excess of amounts currently accrued for with respect to such matters. Net of available insurance and performance of contractual defense and indemnity obligations, where applicable, management does not believe any such matters will have a material adverse effect on the Company's financial position, results of operations or cash flows.

**12. Statement of Cash Flows – Supplemental Information**

The following is a summary of the supplemental cash paid and non-cash transactions for the periods indicated:

	For the Nine Months Ended	
	September 30,	
	2015	2014
	(in thousands)	
Cash paid for interest, net of capitalized amounts	\$ 12,699	\$ 11,668
Non-cash transactions:		
Capital expenditures (excluded from) included in accounts payable and accrued drilling costs	\$ (12,396)	\$ 1,601
Capital expenditures included in accounts receivable	\$ —	\$ 4,077
Asset retirement obligation included in oil and natural gas properties	\$ 276	\$ 109
Application of advances to operators	\$ 11,113	\$ 36,812
Expenses accrued for the issuance of common stock	\$ —	\$ 223
Other	\$ —	\$ (11)

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact included or incorporated by reference in this report are forward-looking statements, including, without limitation, all statements regarding future plans, business objectives, strategies, expected future financial position or performance, future covenant compliance, expected future operational position or performance, budgets and projected costs, future competitive position or goals and/or projections of management for future operations. In some cases, you can identify a forward-looking statement by terminology such as “may,” “will,” “could,” “should,” “expect,” “plan,” “project,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “pursue,” “target” or “continue,” the negative of such terms or variations thereon, or other comparable terminology.

The forward-looking statements contained in this report are largely based on our expectations and beliefs concerning future developments and their potential effect on us, which reflect certain estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions, operating trends, and other factors. Forward-looking statements may include statements that relate to, among other things, our:

- financial position;
- business strategy and budgets;
- capital expenditures;
- drilling of wells, including the anticipated scheduling and results of such operations;
- oil, natural gas and NGLs reserves;
- timing and amount of future production of oil, condensate, natural gas and NGLs;
- operating costs and other expenses;
- cash flow and liquidity;
- compliance with covenants under our indenture and credit agreements;
- availability of capital;
- prospect development; and
- property acquisitions and sales.

Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. As such, management’s assumptions about future events may prove to be inaccurate. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. Management cautions all readers that the forward-looking statements contained in this report are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or that the events and circumstances they describe will occur. Factors that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements herein include, but are not limited to:

- the supply and demand for oil, condensate, natural gas and NGLs;
- continued low or further declining prices for oil, condensate, natural gas and NGLs;
- worldwide political and economic conditions and conditions in the energy market;
- the extent to which we are able to realize the anticipated benefits from acquired assets;
- our ability to raise capital to fund capital expenditures or repay or refinance debt upon maturity;
- our ability to meet financial covenants under our indenture or credit agreements or the ability to obtain amendments or waivers to effect such compliance;
- the ability and willingness of our current or potential counterparties, third-party operators or vendors to enter into transactions with us and/or to fulfill their obligations to us;
- failure of our co-participants to fund any or all of their portion of any capital program;
- the ability to find, acquire, market, develop and produce new oil and natural gas properties;

- uncertainties about the estimated quantities of oil and natural gas reserves and in the projection of future rates of production and timing of development expenditures of proved reserves;
- strength and financial resources of competitors;
- availability and cost of material and equipment, such as drilling rigs and transportation pipelines;
- availability and cost of processing and transportation;
- changes or advances in technology;
- the risks associated with exploration, including cost overruns and the drilling of non-economic wells or dry wells, operating hazards inherent to the oil and natural gas business and 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;
- environmental risks;
- possible new legislative initiatives and regulatory changes potentially adversely impacting our business and industry, including, but not limited to, national healthcare, hydraulic fracturing, state and federal corporate income taxes, retroactive royalty or production tax regimes, changes in environmental regulations, environmental risks and liability under federal, state and local environmental laws and regulations;
- effects of the application of applicable laws and regulations, including changes in such regulations or the interpretation thereof;
- potential losses from pending or possible future claims, litigation or enforcement actions;
- potential defects in title to our properties or lease termination due to lack of activity or other disputes with mineral lease and royalty owners, whether regarding calculation and payment of royalties or otherwise;
- the weather, including the occurrence of any adverse weather conditions and/or natural disasters affecting our business;
- our ability to find and retain skilled personnel; and
- any other factors that impact or could impact the exploration of natural gas or oil resources, including, but not limited to, the geology of a resource, the total amount and costs to develop recoverable reserves, legal title, regulatory, natural gas administration, marketing and operational factors relating to the extraction of oil and natural gas.

For a more detailed description of the risks and uncertainties that we face and other factors that could affect our financial performance or cause our actual results to differ materially from our projected results please see (i) Part II, Item 1A. “Risk Factors” and elsewhere in this report, (ii) Part I, Item 1A. “Risk Factors” and elsewhere in our 2014 Form 10-K, (iii) our subsequent reports and registration statements filed from time to time with the SEC and (iv) other announcements we make from time to time.

You should not unduly rely on these forward-looking statements in this report, as they speak only as of the date of this report. Except as required by law, we undertake no obligation to publicly update, revise or release any revisions to these forward-looking statements after the date on which they are made to reflect new information, events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

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

### Overview

We are an independent energy company engaged in the exploration, development and production of oil, condensate, natural gas and NGLs in the U.S. Our principal business activities include the identification, acquisition, and subsequent exploration and development of oil and natural gas properties with an emphasis on unconventional reserves, such as shale resource plays. In Oklahoma, we are developing the primarily oil-bearing reservoirs of the Hunton Limestone horizontal oil play and is testing other prospective formations on the same acreage, including the Meramec Shale (middle Mississippi Lime) and the Woodford Shale, which is commonly referred to as the STACK Play, and emerging prospective plays in the shallow Oswego formation and in the Osage formation, a deeper bench of the Mississippi Lime located below the Meramec. In West Virginia, we have developed liquids-rich natural gas in the Marcellus Shale and have drilled and completed two successful dry gas Utica Shale/Point Pleasant wells on our acreage. We have engaged a third-party to market certain Marcellus Shale and Utica/Point Pleasant acreage, primarily located in Marshall and Wetzel Counties, West Virginia, including producing wells.

Our current operational activities are conducted in, and our consolidated revenues are generated from, markets exclusively in the U.S. As of September 30, 2015, our major assets consist of approximately 212,200 gross (105,700 net) acres in Oklahoma and approximately 55,800 gross (37,400 net) acres in the Marcellus Shale in West Virginia and southwestern Pennsylvania, of which approximately 22,800 gross (8,800 net) acres have Utica Shale/Point Pleasant potential. Subsequent to September 30, 2015 and as a result of the October 14, 2015 acquisition of approximately 15,700 net acres in Kingfisher and Garfield Counties, Oklahoma and the conveyance of approximately 11,000 net acres in Blaine and Major Counties, Oklahoma to the sellers, our Mid-Continent assets will consist of approximately 212,200 gross (110,400 net) acres in Oklahoma.

The following discussion addresses material changes in our results of operations for the three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014 and material changes in our financial condition since December 31, 2014. This discussion should be read in conjunction with our condensed consolidated financial statements and the notes thereto included in Part I, Item 1. "Financial Statements" of this report, as well as our 2014 Form 10-K, which includes important disclosures regarding our critical accounting policies as part of Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

### Oil and Natural Gas Activities

The following provides an overview of our major oil and natural gas projects. While actively pursuing specific exploration and development activities in the Mid-Continent area, there is no assurance that new drilling opportunities will be identified or that any new drilling opportunities will be successful if drilled. We also continue to concentrate our drilling activities in the Mid-Continent and are marketing certain Marcellus Shale and Utica/Point Pleasant acreage, primarily in Marshall and Wetzel Counties, West Virginia, including producing wells, in light of the substantial downturn in oil, natural gas and NGLs prices that has occurred since November 2014. The dramatic pricing downturns that we are experiencing may cause us to make further changes in our drilling plans.

#### *Mid-Continent Horizontal Oil Play.*

The Hunton Limestone is a limestone formation stretching over approximately 2.7 million acres mainly in Oklahoma, but also in the neighboring states of Texas, New Mexico and Arkansas. Hunton Limestone development has been attractive due to the high quality oil production and the associated production of high BTU content natural gas in the area. In addition to Hunton Limestone potential, we believe that our acreage is also prospective in the STACK play, an area of southeastern Oklahoma that includes oil and gas-rich shale formations such as the proven Meramec and Woodford Shale, ranging in depth from 8,000 to 11,000 feet, and emerging prospective plays in the shallow Oswego formation and in the Osage formation, a deeper bench of the Mississippi Lime located below the Meramec. At September 30, 2015, we held leases covering approximately 212,200 gross (105,700 net) acres in Major, Garfield, Canadian, Kingfisher, Logan, Blaine and Oklahoma Counties, Oklahoma within the Hunton Limestone horizontal oil play.

On October 14, 2015, we entered into a definitive purchase and sale agreement (the "Purchase Agreement") to acquire additional working and net revenue interests in 103 gross (10.2 net) producing wells and certain undeveloped acreage in the STACK and Hunton Limestone formations in our AMI from our AMI co-participant for approximately \$43.3 million and the conveyance of approximately 11,000 net non-core, non-producing acres in Blaine, Major and Kingfisher Counties, Oklahoma to the sellers, subject to certain adjustments and customary closing conditions. The transaction is expected to close on or about November 30, 2015 with an effective date of July 1, 2015. In connection with the acquisition, the AMI participation agreements with our AMI co-participant will be dissolved.

On July 6, 2015, we sold to an undisclosed private third party certain non-core assets comprised of 38 gross (16.7 net) wells producing approximately net 170 Boe/d (41% oil) for the three months ended March 31, 2015 and approximately 29,500 gross (19,200

net) acres in Kingfisher County, Oklahoma for approximately \$45.9 million, net of customary closing adjustments. The sale is reflected as a reduction to the full cost pool and we did not record a gain or loss related to the divestiture as it was not significant to the full cost pool.

In our initial AMI with our Mid-Continent co-participant, we currently pay 50% of lease acquisition costs for a 50% working interest. We pay 54.25% of the lease acquisition costs in the two additional prospect areas for a 50% working interest. In the initial prospect area, we are currently responsible for paying only the drilling and completion costs associated with our 50% working interest (our approximate net revenue interest is 39.0%). In all subsequent prospect areas, we pay 54.25% of gross drilling and completion costs to earn a 50% working interest. Our AMI co-participant acts as operator and handles all drilling, completion and production activities, and we handle leasing and permitting activities in certain areas of the AMI. For 2015, our focus has been to drill in areas that we believe will result in the most significant proved reserve recognition to capital dollars spent and renew acreage in areas that our past drilling has proven to provide attractive returns and production rates and substantial reserve additions. We may elect to sell in the future any acreage that is determined to provide less attractive returns, productions and reserve additions or is outside of our drilling focus to reduce net capital expenditures. In connection with the acquisition, the AMI participation agreements with our AMI co-participant will be dissolved.

As of September 30, 2015 and currently as of the date of this report, we had initial production and drilling operations at various stages on the following wells in our original AMI in the Hunton Limestone formation:

Well Name	Current Working Interest	Approximate Lateral Length (in feet)	Peak Production Rates <sup>(1)</sup> (Boe/d)	Cumulative Production Averages <sup>(2)</sup>		Date of First Production or Status	Approximate Gross Costs to Drill & Complete (\$ millions)
				Boe/d	% Oil		
LB 1-1H	47.6%	4,300	791	181	62%	January 23, 2015	\$ 5.2
Hubbard 1-23H <sup>(3)</sup>	57.0%	4,500	63	19	96%	February 19, 2015	\$ 6.1
Boss Hogg 1-14H	50.0%	4,300	129	51	70%	February 21, 2015	\$ 7.4
Bo 1-23H	43.8%	4,300	547	250	44%	February 28, 2015	\$ 5.0
The River 1-22H	39.7%	3,800	1,250	787	28%	March 14, 2015	\$ 4.6
Bigfoot 1-9H	47.4%	4,200	161	88	56%	March 17, 2015	\$ 5.1
Falcon 1-5H	51.5%	4,100	1,202	557	71%	April 1, 2015	\$ 4.4
Dorothy 1-12H	49.5%	3,900	41	15	74%	April 10, 2015	\$ 4.5
Polar Bear 1-20H	47.4%	4,300	403	115	87%	May 5, 2015	\$ 4.9
Unruh 1-34H <sup>(4)</sup>	75.4%	4,400	N/A	N/A	N/A	Commenced flowback	\$ 7.6

(1) Represents highest daily gross Boe rate.

(2) Represents gross cumulative production divided by actual producing days through November 1, 2015.

(3) After payout working interest is 49.9%.

(4) Approximate gross costs to drill and complete includes costs to re-drill the well due to an initial horizontal casing collapse.

In connection with our entry into the Purchase Agreement, Gastar, five of its senior officers, its non-executive chairman and our AMI co-participant agreed to the settlement and mutual release of claims that Gastar and our AMI co-participant made against each other in separate lawsuits pending in federal court in Oklahoma as well as any claims the parties may have had against each other in connection with the participation agreements. In the event that the Purchase Agreement is terminated pursuant to its terms prior to the consummation of the transactions contemplated thereby, the settlement and release will be rescinded, as described in Part I, Item 1. "Financial Statements, Note 11 - Commitments and Contingencies" of this report.

As of September 30, 2015 and currently as of the date of this report, we had production and drilling operations at various stages on the following operated wells on our West Edmond Hunton Lime Unit (“WEHLU”) acreage in the lower Hunton Limestone formation:

Well Name	Current Working Interest	Approximate Lateral Length (in feet)	Peak Production Rates(1) (BOE/d)	Cumulative Production Averages(2)		Date of First Production or Status	Approximate Gross Costs to Drill & Complete (\$ millions)
				BOE/d	% Oil		
<b>Upper Hunton Completions</b>							
Warsaw 33-2H	98.3%	4,900	615	210	55%	February 13, 2015	\$ 4.4
Blair Farms 31-1H	98.3%	7,500	509	361	78%	May 7, 2015	\$ 5.0
Easton 22-4H	98.3%	5,800	604	298	90%	May 20, 2015	\$ 2.7
Jetson 8-2H	98.3%	6,100	353	208	87%	August 19, 2015	\$ 4.2
Arcadia Farms 15-2H	98.3%	7,700	N/A	267	88%	September 13, 2015	\$ 3.1
O' Donnell 5-1H	98.3%	4,400	N/A	119	96%	October 8, 2015	\$ 4.5
<b>Lower Hunton Completions</b>							
Warsaw 33-3H	98.3%	6,100	663	203	59%	February 14, 2015	\$ 6.9
Easton 22-3H	98.3%	6,700	548	390	79%	May 24, 2015	\$ 4.9
Davis 9-2H	98.3%	6,600	N/A	200	83%	August 6, 2015	\$ 5.8
Jetson 8-1H	98.3%	5,800	N/A	154	67%	August 19, 2015	\$ 5.1
Davis 9-4H	98.3%	7,700	N/A	101	100%	October 3, 2015	\$ 5.3
Arcadia Farms 15-1CH	98.3%	6,800	N/A	192	76%	October 9, 2015	\$ 5.7
O'Donnell 5-2CH	98.3%	5,600	N/A	176	73%	October 9, 2015	\$ 5.6

(1) Represents highest daily gross Boe rate.

(2) Represents gross cumulative production divided by actual producing days through November 1, 2015.

We are continuing to monitor well flow back results on recently drilled and completed wells and remain encouraged by the overall well results to date. As a result of the current commodity price environment, we currently have no plans to drill any new Hunton Limestone wells during the remainder of 2015.

On September 6, 2015, we spudded our first Meramec well, the Deep River 30-1H, with a vertical depth of approximately 7,300 feet and drilled an approximate 5,100-foot lateral and completed it with a 34-stage fracture stimulation. The Deep River 30-1H was placed on flowback on October 28, 2015. Our working interest in the Deep River 30-1H is 100% (NRI 80%). The estimated cost to drill and complete the Deep River 30-1H is approximately \$5.8 million.

The following table provides production and operational information about the Mid-Continent for the periods indicated:

Mid-Continent	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Net Production:</b>				
Oil and condensate (MBbl)	274	213	875	516
Natural gas (MMcf)	805	715	2,491	2,004
NGLs (MBbl)	111	83	320	232
Total net production (MBoe)	520	415	1,611	1,082
<b>Net Daily Production:</b>				
Oil and condensate (MBbl/d)	3.0	2.3	3.2	1.9
Natural gas (MMcf/d)	8.7	7.8	9.1	7.3
NGLs (MBbl/d)	1.2	0.9	1.2	0.9
Total net daily production (MBoe/d)	5.6	4.5	5.9	4.0
<b>Average sales price per unit<sup>(1)</sup>:</b>				
Oil and condensate (per Bbl)	\$ 44.45	\$ 96.09	\$ 48.54	\$ 98.45
Natural gas (per Mcf)	\$ 2.67	\$ 3.87	\$ 2.76	\$ 4.46
NGLs (per Bbl)	\$ 10.28	\$ 30.42	\$ 13.16	\$ 34.83
Average sales price per Boe <sup>(1)</sup>	\$ 29.80	\$ 62.11	\$ 33.27	\$ 62.66
<b>Selected operating expenses (in thousands):</b>				
Production taxes	\$ 329	\$ 904	\$ 1,170	\$ 2,264
Lease operating expenses <sup>(2)</sup>	\$ 4,328	\$ 3,160	\$ 15,020	\$ 9,793
Transportation, treating and gathering	\$ 3	\$ 9	\$ 10	\$ 31
<b>Selected operating expenses per Boe:</b>				
Production taxes	\$ 0.63	\$ 2.18	\$ 0.73	\$ 2.09
Lease operating expenses <sup>(2)</sup>	\$ 8.33	\$ 7.62	\$ 9.32	\$ 9.05
Transportation, treating and gathering	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.03
Production costs <sup>(3)</sup>	\$ 8.34	\$ 7.64	\$ 9.33	\$ 9.08

(1) Excludes the impact of hedging activities.

(2) Lease operating expenses for the three and nine months ended September 30, 2015 include \$1.1 million and \$3.8 million, respectively, of workover expense for one-time production enhancing workovers completed on certain WEHLU wells. Excluding workover expense, lease operating expense per Boe for the three and nine months ended September 30, 2015 would have been \$6.23 per Boe and \$6.94 per Boe, respectively, compared to \$7.70 per Boe and \$9.04 per Boe for the three and nine months ended September 30, 2014, respectively.

(3) Production costs include lease operating expense, insurance, gathering and workover expense and excludes ad valorem and severance taxes.

#### *Appalachian Basin.*

**Marcellus Shale.** The Marcellus Shale is Devonian aged shale that underlies much of the Appalachian region of Pennsylvania, New York, Ohio, West Virginia and adjacent states. The depth of the Marcellus Shale and its low permeability make the Marcellus Shale an unconventional exploration target in the Appalachian Basin. Advancements in horizontal drilling and stimulation have produced promising results in the Marcellus Shale. These developments have resulted in increased leasing and drilling activity in the area. As of September 30, 2015, our acreage position in the play was approximately 55,800 gross (37,400 net) acres. We refer to the approximately 26,700 gross (11,600 net) acres reflecting our interest in our Marcellus Shale assets in West Virginia and Pennsylvania subject to the Atinum Participation Agreement described below as our Marcellus West acreage. We refer to the approximately 29,100 gross (25,900 net) acres in Preston, Tucker, Pocahontas, Randolph and Pendleton Counties, West Virginia as our Marcellus East acreage. The entirety of our acreage is believed to be in the core, over-pressured area of the Marcellus play. We continue to opportunistically swap acreage with adjacent operators in order to optimize our acreage and maximize horizontal lateral lengths.

Due to the current price environment in the Appalachian Basin, we have suspended our drilling operations in the Appalachian Basin until product prices improve. As of September 30, 2015, we had no drilling operations in progress on our Marcellus Shale acreage in Marshall County, West Virginia. We have engaged a third-party to market certain Marcellus Shale and Utica Shale/Point Pleasant acreage, primarily located in Marshall and Wetzel Counties, West Virginia, including producing wells.

On September 21, 2010, we entered into the Atinum Participation Agreement pursuant to which we ultimately assigned to Atinum, for \$70.0 million in total consideration, a 50% working interest in certain undeveloped acreage and shallow producing wells.

Atinum has the right to participate in any future leasehold acquisitions made by us within Ohio, New York, Pennsylvania and West Virginia, excluding the counties of Pendleton, Pocahontas, Preston, Randolph and Tucker, West Virginia, on terms identical to those governing the then-existing Atinum Participation Agreement. We are the operator and are obligated to offer any future lease acquisitions to Atinum on a 50/50 basis. Atinum will pay us on an annual basis an amount equal to 10% of lease bonuses and third party leasing costs, up to \$20.0 million, and 5% of such costs on activities above \$20.0 million.

The Atinum co-participants pursued an initial three-year development program that called for the drilling of a minimum of 60 operated horizontal wells by year-end 2013. Due to natural gas price declines, we and Atinum agreed to reduce the minimum wells to be drilled requirements from 60 gross wells to 51 gross wells. At September 30, 2015, 74 gross (37.0 net) operated Marcellus Shale horizontal wells were capable of production. All of our Marcellus Shale well operations to date were drilled under the Atinum Participation Agreement. The Atinum Participation Agreement expired on November 1, 2015 and discussions are currently in progress regarding its replacement.

The following table provides production and operational information for the Marcellus Shale for the periods indicated:

Marcellus Shale	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Net Production:</b>				
Oil and condensate (MBbl)	56	37	191	144
Natural gas (MMcf)	1,987	1,925	6,215	6,387
NGLs (MBbl)	226	97	533	311
Total net production (MBoe)	613	455	1,760	1,519
<b>Net Daily Production:</b>				
Oil and condensate (MBbl/d)	0.6	0.4	0.7	0.5
Natural gas (MMcf/d)	21.6	20.9	22.8	23.4
NGLs (MBbl/d)	2.5	1.1	2.0	1.1
Total net daily production (MBoe/d)	6.7	4.9	6.4	5.6
<b>Average sales price per unit (1)(2):</b>				
Oil and condensate (per Bbl)	\$ 11.64	\$ 62.57	\$ 17.24	\$ 77.28
Natural gas (per Mcf)	\$ 0.46	\$ 2.14	\$ 0.95	\$ 4.84
NGLs (per Bbl)	\$ (1.56)	\$ 26.98	\$ 1.60	\$ 27.68
Average sales price per Boe (1)(2)	\$ 1.97	\$ 19.87	\$ 5.70	\$ 33.35
<b>Selected operating expenses (in thousands):</b>				
Production taxes(3)	\$ 271	\$ 627	\$ 988	\$ 3,198
Lease operating expenses(3)	\$ 860	\$ 967	\$ 3,399	\$ 3,256
Transportation, treating and gathering(3)	\$ 552	\$ 361	\$ 1,462	\$ 3,109
<b>Selected operating expenses per Boe:</b>				
Production taxes(3)	\$ 0.44	\$ 1.38	\$ 0.56	\$ 2.10
Lease operating expenses(3)	\$ 1.40	\$ 2.13	\$ 1.93	\$ 2.14
Transportation, treating and gathering(3)	\$ 0.90	\$ 0.79	\$ 0.83	\$ 2.05
Production costs(4)	\$ 1.76	\$ 2.53	\$ 2.15	\$ 3.79

(1) Excludes the impact of hedging activities.

(2) The nine months ended September 30, 2014 includes the benefit of a one-time revenue adjustment related to an arbitration settlement. Excluding the arbitration settlement adjustment impact, average sales prices would have been as follows:

Marcellus Shale	For the Nine Months Ended September 30, 2014
<b>Average sales price per unit:</b>	
Oil and condensate (per Bbl)	\$ 55.42
Natural gas (per Mcf)	\$ 3.57
NGLs (per Bbl)	\$ 29.86
Average sales price per Boe	\$ 26.37

- (3) The nine months ended September 30, 2014 includes a one-time adjustment to production taxes, lease operating expenses and transportation, treating and gathering related to an arbitration settlement. Excluding the arbitration settlement adjustment impact, production taxes, lease operating expenses and transportation, treating and gathering per Boe would have been as follows:

	<b>For the Nine Months Ended September 30, 2014</b>
<b>Marcellus Shale</b>	
Selected operating expenses per Boe:	
Production taxes	\$ 1.72
Lease operating expenses	\$ 2.27
Transportation, treating and gathering	\$ 1.00

- (4) Production costs include lease operating expenses, insurance, gathering and workover expense and excludes ad valorem and severance taxes. Excluding the arbitration settlement adjustment impact, production costs for the nine months ended September 30, 2014 would have been as follows:

	<b>For the Nine Months Ended September 30, 2014</b>
<b>Marcellus Shale</b>	
Selected operating expenses per Boe:	
Production costs	\$ 2.87

*Utica Shale/Point Pleasant.* The Utica Shale is Ordovician aged shale that underlies much of the Appalachian region of Pennsylvania, Ohio and West Virginia. The depth of the Utica Shale and its low permeability make it an unconventional exploration target in the Appalachian Basin. Advancements in horizontal drilling and hydraulic fracture stimulation have produced promising results in the Utica Shale, some in close proximity to our existing Marcellus West acreage. Based on our successful completion of two Utica Shale wells, log analysis of offsetting wells and recent Utica Shale completions by other nearby operators, we believe that our Marcellus West acreage should be prospective for high-pressure, high-deliverability dry natural gas development in the Utica Shale/Point Pleasant formation. We drilled the Simms U-5H to a total vertical depth of 11,500 feet and drilled an approximate 4,400-foot lateral and completed it with a 25-stage fracture stimulation. The Simms U-5H was producing at a most recent five-day average rate of 3.8 MMcf/d of natural gas and had total cumulative production of 3.5 Bcf as of October 25, 2015. Our working interest in the Simms U-5H is 50.0% (43.2% net revenue interest). We drilled the Blake U-7H to a total vertical depth of 11,100 feet and drilled an approximate 6,600-foot lateral and completed it with a 34-stage fracture stimulation. The Blake U-7H was producing at a most recent five-day average rate of 8.8 MMcf/d of natural gas and had total cumulative production of 2.2 Bcf as of October 25, 2015. Our working interest in the Blake U-7H is 50.0% (41.1% net revenue interest). The estimated cost to drill and complete the Blake U-7H was approximately \$15.9 million. All of our Utica Shale/Point Pleasant well operations to date were drilled under the Atinum Participation Agreement. The Atinum Participation Agreement expired on November 1, 2015, and discussions are currently in progress regarding its replacement. We have engaged a third-party to market certain of our Marcellus Shale and Utica Shale/Point Pleasant acreage, primarily located in Marshall and Wetzel Counties, West Virginia, including producing wells.

The following table provides production and operational information for the Utica Shale for the periods indicated:

Utica Shale	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Net Production:</b>				
Natural gas (MMcf)	698	187	1,653	187
Total net production (MBoe)	116	31	276	31
<b>Net Daily Production:</b>				
Natural gas (MMcf/d)	7.6	2.0	6.1	0.7
Total net daily production (MBoe/d)	1.3	0.3	1.0	0.1
<b>Average sales price per unit (1):</b>				
Natural gas (per Mcf)	\$ 0.57	\$ 1.44	\$ 0.81	\$ 1.44
Average sales price per Boe (1)	\$ 3.39	\$ 8.64	\$ 4.86	\$ 8.64
<b>Selected operating expenses (in thousands):</b>				
Production taxes	\$ 55	\$ 28	\$ 159	\$ 28
Lease operating expenses	\$ 24	\$ 8	\$ 56	\$ 8
Transportation, treating and gathering	\$ 60	\$ 27	\$ 184	\$ 27
<b>Selected operating expenses per Boe:</b>				
Production taxes	\$ 0.47	\$ 0.89	\$ 0.58	\$ 0.89
Lease operating expenses	\$ 0.21	\$ 0.27	\$ 0.20	\$ 0.27
Transportation, treating and gathering	\$ 0.52	\$ 0.88	\$ 0.67	\$ 0.88
Production costs (2)	\$ 0.73	\$ 1.15	\$ 0.87	\$ 1.15

(1) Excludes the impact of hedging activities.

(2) Production costs include lease operating expenses, insurance, gathering and workover expense and excludes ad valorem and severance taxes.

## Results of Operations

The following is a comparative discussion of the results of operations for the periods indicated. It should be read in conjunction with the condensed consolidated financial statements and the related notes to the condensed consolidated financial statements found elsewhere in this report.

The following table provides information about production volumes, average prices of oil and natural gas and operating expenses for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
(In thousands, except per unit amounts)				
Net Production:				
Oil and condensate (MBbl)	330	250	1,066	660
Natural gas (MMcf)	3,490	2,826	10,360	8,579
NGLs (MBbl)	338	180	854	543
Total net production (MBoe)	1,249	901	3,646	2,633
Net Daily production:				
Oil and condensate (MBbl/d)	3.6	2.7	3.9	2.4
Natural gas (MMcf/d)	37.9	30.7	37.9	31.4
NGLs (MBbl/d)	3.7	2.0	3.1	2.0
Total net daily production (MBoe/d)	13.6	9.8	13.4	9.6
Average sales price per unit(1):				
Oil and condensate per Bbl, excluding impact of hedging activities	\$ 38.89	\$ 91.17	\$ 42.94	\$ 93.83
Oil and condensate per Bbl, including impact of hedging activities (2)	\$ 44.84	\$ 88.77	\$ 48.30	\$ 90.24
Natural gas per Mcf, excluding impact of hedging activities	\$ 0.99	\$ 2.53	\$ 1.36	\$ 4.68
Natural gas per Mcf, including impact of hedging activities (2)	\$ 1.57	\$ 2.56	\$ 1.93	\$ 4.29
NGLs per Bbl, excluding impact of hedging activities	\$ 2.35	\$ 28.56	\$ 5.94	\$ 30.74
NGLs per Bbl, including impact of hedging activities (2)	\$ 10.64	\$ 26.13	\$ 14.32	\$ 26.85
Average sales price per Boe, excluding impact of hedging activities	\$ 13.68	\$ 38.94	\$ 17.81	\$ 45.10
Average sales price per Boe, including impact of hedging activities (2)	\$ 19.11	\$ 37.87	\$ 22.95	\$ 42.13
Selected operating expenses:				
Production taxes(3)	\$ 655	\$ 1,558	\$ 2,317	\$ 5,489
Lease operating expenses(3)	\$ 5,214	\$ 4,136	\$ 18,475	\$ 13,057
Transportation, treating and gathering(3)	\$ 615	\$ 397	\$ 1,654	\$ 3,168
Depreciation, depletion and amortization	\$ 15,394	\$ 11,111	\$ 45,945	\$ 33,773
Impairment of natural gas and oil properties	\$ 181,966	\$ —	\$ 282,118	\$ —
General and administrative expense	\$ 4,683	\$ 4,002	\$ 13,352	\$ 12,658
Selected operating expenses per Boe:				
Production taxes(3)	\$ 0.52	\$ 1.73	\$ 0.64	\$ 2.09
Lease operating expenses(3)(4)	\$ 4.17	\$ 4.59	\$ 5.07	\$ 4.96
Transportation, treating and gathering(3)	\$ 0.49	\$ 0.44	\$ 0.45	\$ 1.20
Depreciation, depletion and amortization	\$ 12.32	\$ 12.33	\$ 12.60	\$ 12.83
General and administrative expense	\$ 3.75	\$ 4.44	\$ 3.66	\$ 4.81
Production costs(5)	\$ 4.40	\$ 4.84	\$ 5.22	\$ 5.93

- (1) The nine months ended September 30, 2014 include the benefit of a one-time revenue adjustment related to an arbitration settlement. Excluding the arbitration settlement adjustment impact, average sales prices would have been as follows:

	<b>For the Nine Months Ended September 30, 2014</b>
<b>Average sales price per unit:</b>	
Oil and condensate per Bbl, excluding impact of hedging activities	\$ 89.06
Oil and condensate per Bbl, including impact of hedging activities (2)	\$ 85.47
Natural gas per Mcf, excluding impact of hedging activities	\$ 3.73
Natural gas per Mcf, including impact of hedging activities (2)	\$ 3.34
NGLs per Bbl, excluding impact of hedging activities	\$ 31.99
NGLs per Bbl, including impact of hedging activities (2)	\$ 28.09
Average sales price per Boe, excluding impact of hedging activities	\$ 41.07
Average sales price per Boe, including impact of hedging activities (2)	\$ 38.11

- (2) The impact of hedging includes the gain (loss) on commodity derivative contracts settled during the periods presented.
- (3) The nine months ended September 30, 2014 include a one-time adjustment to production taxes, lease operating expenses and transportation, treating and gathering related to an arbitration settlement. Excluding the arbitration settlement adjustment impact, production taxes, lease operating expenses and transportation, treating and gathering per Boe would have been as follows:

	<b>For the Nine Months Ended September 30, 2014</b>
<b>Selected operating expenses per Boe:</b>	
Production taxes	\$ 1.86
Lease operating expenses	\$ 5.03
Transportation, treating and gathering	\$ 0.60

- (4) Lease operating expenses for the three and nine months ended September 30, 2015 include \$1.1 million and \$3.8 million, respectively, of workover expense for one-time production enhancing workovers completed on certain WEHLU wells. Excluding workover expense, lease operating expense per Boe for the three and nine months ended September 30, 2015 would have been \$3.30 per Boe and \$4.01 per Boe, respectively, compared to \$4.63 per Boe and \$4.95 per Boe for the three and nine months ended September 30, 2014, respectively.
- (5) Production costs include lease operating expenses, insurance, gathering and workover expense and excludes ad valorem and severance taxes. Excluding the arbitration settlement adjustment impact, production costs for the nine months ended September 30, 2014 would have been as follows:

	<b>For the Nine Months Ended September 30, 2014</b>
<b>Selected operating expenses per Boe:</b>	
Production costs	\$ 5.40

***Three Months Ended September 30, 2015 compared to the Three Months Ended September 30, 2014***

*Revenues.* Total oil, condensate, natural gas and NGLs revenues (exclusive of the effects of hedging) were \$17.1 million for the three months ended September 30, 2015, down 51% from \$35.1 million for the three months ended September 30, 2014. The decrease

in revenues was the result of a 65% decrease in weighted average realized equivalent prices offset by a 39% increase in production. In addition to overall adverse commodity price conditions, we continue to be impacted by significant negative gas basis differentials in Appalachia and weakened NGLs pricing. Average daily production on an equivalent basis was 13.6 MBoe/d for the three months ended September 30, 2015 compared to 9.8 MBoe/d for the same period in 2014. Oil, condensate and NGLs production represented approximately 53% of total production for the three months ended September 30, 2015 compared to 48% of total production for the three months ended September 30, 2014.

Oil and condensate revenues represented approximately 75% of our total oil, condensate, natural gas and NGLs revenues for the three months ended September 30, 2015 compared to 65% for the three months ended September 30, 2014. Total liquids revenues (oil, condensate and NGLs) represented approximately 80% of our total oil, condensate, natural gas and NGLs revenues for both the three months ended September 30, 2015 and 2014. We continue to focus our drilling activity in the Mid-Continent oil play due to continued weakened natural gas and NGLs prices in the Appalachian Basin. Our average realized sales prices per Boe in the Appalachian Basin, excluding the impact of hedging activities, were \$2.20 per Boe for the third quarter of 2015 compared to \$19.15 per Boe for the third quarter of 2014 and to \$4.98 per Boe for the second quarter of 2015 and to \$10.34 per Boe for the first quarter of 2015. Appalachian Basin natural gas prices have shown some improvement subsequent to September 30, 2015. We expect our liquids revenues to continue to grow and be a significant percentage of total oil, condensate, natural gas and NGLs revenues during the remainder of 2015.

During the three months ended September 30, 2015, we had commodity derivative contracts covering approximately 38% of our oil and condensate production. The impact of hedging on oil and condensate sales during the three months ended September 30, 2015 was an increase of \$2.0 million in oil and condensate revenues and resulted in an increase in total price realized from \$38.89 per Bbl to \$44.84 per Bbl. The gain on oil and condensate commodity derivatives contracts settled during the period includes a loss of \$11,000 for amortization of prepaid premiums. During the three months ended September 30, 2014, the impact of hedging on oil and condensate sales was a decrease of \$601,000, which resulted in a decrease in total price realized from \$91.17 per Bbl to \$88.77 per Bbl. For both periods, we designated 50% of our current crude hedges as price protection for our NGLs production.

During the three months ended September 30, 2015, we had commodity derivative contracts covering approximately 73% of our natural gas production, which resulted in a gain on natural gas commodity derivatives contracts settled during the quarter of \$2.0 million and resulted in an increase in total price realized from \$0.99 per Mcf to \$1.57 per Mcf. The gain on natural gas commodity derivative contracts settled during the period includes a gain of \$19,000 for amortization of prepaid premiums. Excluding the non-cash amortization, the impact of hedging on natural gas sales was an increase in revenues of \$1.7 million of NYMEX hedge gains and \$258,000 of basis hedge gains. During the three months ended September 30, 2014, the impact of hedging on natural gas sales was an increase of \$78,000 in natural gas revenues resulting in an increase in total price realized from \$2.53 per Mcf to \$2.56 per Mcf.

During the three months ended September 30, 2015, we had commodity derivative contracts covering approximately 57% of our NGLs production. The impact of hedging on NGLs sales during the three months ended September 30, 2015 was an increase of \$2.8 million in NGLs revenues and resulted in an increase in total price realized from \$2.35 per Bbl to \$10.64 per Bbl. The gain on NGLs commodity derivatives contracts settled during the period includes a loss of \$11,000 for amortization of prepaid premiums. During the three months ended September 30, 2014, the impact of hedging on NGLs sales was a decrease of \$437,000 in NGLs revenues which resulted in a decrease in total price realized from \$28.56 per Bbl to \$26.13 per Bbl.

The change in mark to market value for outstanding commodity derivatives contracts for the three months ended September 30, 2015 was a gain of \$4.5 million compared to a gain of \$7.6 million for the three months ended September 30, 2014. The change in the mark to market value is primarily the result of changes in hedge contracts during the period compared to the prior year.

For additional information regarding our oil and condensate hedging positions as of September 30, 2015, see Part I, Item 1. "Financial Statements, Note 6 – Derivative Instruments and Hedging Activity" of this report.

*Production taxes.* We reported production taxes of \$655,000 for the three months ended September 30, 2015 compared to \$1.6 million for the three months ended September 30, 2014. The decrease in production taxes primarily resulted from lower commodity prices related to our Marcellus Shale properties. Production taxes for the three months ended September 30, 2015 and 2014 were approximately 3.8% and 4.4%, respectively, of oil, condensate, natural gas and NGLs revenues. The decrease in the production tax as a percentage of revenues is primarily the result of an increase in Mid-Continent revenues that benefit from an initial four-year production tax abatement reducing the rate from 7% to 1% on new horizontal wells drilled. Effective July 1, 2015, the production tax abatement on new horizontal wells drilled was reduced to an initial three-year production abatement period and the rate was reduced from 7% to 2%.

*Lease operating expenses.* We reported lease operating expenses ("LOE") of \$5.2 million for the three months ended September 30, 2015 compared to \$4.1 million for the three months ended September 30, 2014. Our total LOE was \$4.17 per Boe for the three months ended September 30, 2015 compared to \$4.59 per Boe for the same period in 2014. The increase in our LOE was primarily

due to a \$1.1 million increase in one-time workover expense for production enhancing workovers completed on certain WEHLU wells, a \$158,000 increase in ad valorem taxes as a result of higher production volumes and a \$72,000 increase in insurance due to additional wells offset by a \$276,000 decrease in LOE. Excluding workover expense, LOE per Boe for the three months ended September 30, 2015 was \$3.30 compared to \$4.63 for the three months ended September 30, 2014.

*Transportation, treating and gathering.* We reported transportation expenses of \$615,000 for the three months ended September 30, 2015 compared to \$397,000 for the three months ended September 30, 2014. The increase in transportation expense is due to increased Appalachian production.

*Depreciation, depletion and amortization.* We reported depreciation, depletion and amortization (“DD&A”) expense of \$15.4 million for the three months ended September 30, 2015 up from \$11.1 million for the three months ended September 30, 2014. The increase in DD&A expense was the result of a 39% increase in production. The DD&A rate for the three months ended September 30, 2015 was \$12.32 per Boe compared to \$12.33 per Boe for the same period in 2014.

*Impairment of oil and natural gas properties.* We reported an impairment of oil and natural gas properties of \$182.0 million for the three months ended September 30, 2015. The impairment is the result of a 28% decline in the 12-month average natural gas price and a 40% decline in the 12-month average oil price used in the calculation of the full cost ceiling test at September 30, 2015 compared to September 30, 2014. For a description of the ceiling impairment determination and a discussion of the likelihood of future impairment charges in 2015 and the impact of recent price declines on such impairments, see Part I, Item 1. “Financial Statements, Note 3 – Property, Plant and Equipment.”

*General and administrative expense.* We reported general and administrative expenses of \$4.7 million for the three months ended September 30, 2015 compared to \$4.0 million for the three months ended September 30, 2014. Non-cash stock-based compensation expense, which is included in general and administrative expense, was \$1.2 million for the three months ended September 30, 2015 and 2014. Excluding stock-based compensation expense, general and administrative expense increased \$699,000 to \$3.5 million for the three months ended September 30, 2015 compared to the three months ended September 30, 2014. This increase is primarily due to \$481,000 of costs incurred for the acquisition of Oklahoma properties from our AMI co-participant and higher legal costs.

*Interest expense.* We reported interest expense of \$7.9 million for the three months ended September 30, 2015 compared to \$7.0 million for the three months ended September 30, 2014. The increase in interest expense is primarily due to additional borrowings under the revolving credit facility.

*Dividends on preferred stock.* We reported dividends on preferred stock of \$3.6 million for the three months ended September 30, 2015 and 2014, respectively. The Series A Preferred Stock had a stated value and liquidation preference of approximately \$101.1 million at September 30, 2015 and 2014, respectively, and carries a cumulative dividend rate of 8.625% per annum. Dividends on the Series A Preferred Stock were \$2.2 million for the three months ended September 30, 2015 and 2014, respectively. The Series B Preferred Stock had a stated value and liquidation preference of \$53.5 million at September 30, 2015 and 2014 and carries a cumulative dividend rate of 10.75% per annum. Dividends on the Series B Preferred Stock were \$1.4 million for the three months ended September 30, 2015 and 2014, respectively. Based on the number of shares of Series A Preferred Stock and Series B Preferred Stock outstanding at September 30, 2015, our future stated preferred dividend expense is approximately \$3.6 million per quarter, which is subject to being declared and paid monthly.

#### ***Nine Months Ended September 30, 2015 compared to the Nine Months Ended September 30, 2014***

*Revenues.* Total oil, condensate, natural gas and NGLs revenues (exclusive of the effects of hedging) were \$65.0 million for the nine months ended September 30, 2015, down 45% from \$118.7 million for the nine months ended September 30, 2014. The decrease in revenues was the result of a 61% decrease in weighted average realized prices offset by a 39% increase in production. In addition to overall adverse commodity price conditions, we continue to be impacted by significant negative natural gas basis differentials in Appalachia and weakened NGLs pricing due to excess supply. Excluding the benefit of a one-time revenue adjustment of \$10.6 million related to an arbitration settlement for the nine months ended September 30, 2014, weighted average Boe realized prices decreased 57% for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. Average daily production on an equivalent basis was 13.4 MBoe/d for the nine months ended September 30, 2015 compared to 9.6 MBoe/d for the same period in 2014. Oil, condensate and NGLs production represented approximately 53% of total production for the nine months ended September 30, 2015 compared to 46% of total production for the nine months ended September 30, 2014. The one-time arbitration settlement did not have any impact on year-to-date September 30, 2014 production volumes.

Oil and condensate revenues represented approximately 70% of our total oil, condensate, natural gas and NGLs revenues for the nine months ended September 30, 2015 compared to 52% for the nine months ended September 30, 2014. Total liquids revenues (oil, condensate and NGLs) represented approximately 78% of our total oil, condensate, natural gas and NGLs revenues for the nine month

period ended September 30, 2015 compared to 66% for the nine month period ended September 30, 2014. Excluding a one-time adjustment related to an arbitration settlement, liquids revenues represented approximately 70% of our total oil, condensate, natural gas and NGLs revenues for the nine month period ended September 30, 2014. We continue to focus our drilling activity in the Mid-Continent oil play due to continued weakened natural gas and NGLs prices in the Appalachian Basin. Our average realized sales prices per Boe in the Appalachian Basin, excluding the impact of hedging activities and the one-time adjustment related to an arbitration settlement in 2014, were \$5.58 per Boe for the nine months ended September 30, 2015 compared to \$26.01 per Boe for the nine months ended September 30, 2014. Appalachian Basin natural gas prices have shown some improvement subsequent to September 30, 2015. We expect our liquids revenues to continue to grow and be a significant percentage of total oil, condensate, natural gas and NGLs revenues during the remainder of 2015.

During the nine months ended September 30, 2015, we had commodity derivative contracts covering approximately 30% of our oil and condensate production. The impact of hedging on oil and condensate sales during the nine months ended September 30, 2015 was an increase of \$5.7 million in oil and condensate revenues and resulted in an increase in total price realized from \$42.94 per Bbl to \$48.30 per Bbl. The gain on oil and condensate commodity derivatives contracts settled during the period includes a loss of \$32,000 for amortization of prepaid premiums and a loss of \$585,000 related to deferred put premiums. During the nine months ended September 30, 2014, the impact of hedging on oil and condensate sales was a decrease of \$2.4 million in oil and condensate revenues, which resulted in a decrease in total price realized from \$93.83 per Bbl to \$90.24 per Bbl. Excluding the benefit of a one-time revenue adjustment related to an arbitration settlement during the nine months ended September 30, 2014, the total price realized for oil and condensate including the loss on oil and condensate commodity derivatives contracts settled during the nine months ended September 30, 2014 would have decreased from \$89.06 per Bbl to \$85.47 per Bbl. For both periods, we designated 50% of our current crude hedges as price protection for our NGLs production.

During the nine months ended September 30, 2015, we had commodity derivative contracts covering approximately 66% of our natural gas production, which resulted in a gain on natural gas commodity derivatives contracts settled during the nine months ended September 30, 2015 of \$5.9 million and resulted in an increase in total price realized from \$1.36 per Mcf to \$1.93 per Mcf. The gain on natural gas commodity derivative contracts settled during the period includes a gain of \$29,000 for amortization of prepaid premiums. Excluding the non-cash amortization, the impact of hedging on natural gas sales was an increase in revenues of \$5.5 million of NYMEX hedge gains and \$324,000 of basis hedge gains. During the nine months ended September 30, 2014, the impact of hedging on natural gas sales was a decrease of \$3.3 million in natural gas revenues resulting in a decrease in total price realized from \$4.68 per Mcf to \$4.29 per Mcf. Excluding the benefit of the one-time revenue adjustment related to an arbitration settlement during the nine months ended September 30, 2014, the total price realized for natural gas including the loss on natural gas commodity derivatives contracts settled during the nine months ended September 30, 2014 would have decreased from \$3.73 per Mcf to \$3.34 per Mcf.

During the nine months ended September 30, 2015, we had commodity derivative contracts covering approximately 49% of our NGLs production. The impact of hedging on NGLs sales during the nine months ended September 30, 2015 was an increase of \$7.2 million in NGLs revenues and resulted in an increase in total price realized from \$5.94 per Bbl to \$14.32 per Bbl. The gain on NGLs commodity derivatives contracts settled during the period includes a loss of \$32,000 for amortization of prepaid premiums and a loss of \$585,000 related to deferred put premiums. During the nine months ended September 30, 2014, the impact of hedging on NGLs sales was a decrease of \$2.1 million in NGLs revenues which resulted in a decrease in total price realized from \$30.74 per Bbl to \$26.85 per Bbl. Excluding the impact of the one-time revenue adjustment related to an arbitration settlement during the nine months ended September 30, 2014, the total price realized for NGLs including the loss on NGLs commodity derivatives contracts settled during the nine months ended September 30, 2014 would have decreased from \$31.99 per Bbl to \$28.09 per Bbl.

Gains related to the change in mark to market value for outstanding commodity derivatives contracts for the nine months ended September 30, 2015 were \$986,000 compared to losses of \$950,000 for the nine months ended September 30, 2014. The decrease in the mark to market loss is primarily the result of lower commodity prices and the changes in hedge contracts during the period.

For additional information regarding our oil and condensate hedging positions as of September 30, 2015, see Part I, Item 1. "Financial Statements, Note 6 – Derivative Instruments and Hedging Activity" of this report.

*Production taxes.* We reported production taxes of \$2.3 million for the nine months ended September 30, 2015 compared to \$5.5 million for the nine months ended September 30, 2014. Production taxes reported for the nine months ended September 30, 2014 include \$584,000 of additional production taxes attributed to a one-time revenue adjustment resulting from an arbitration settlement. Excluding the 2014 adjustment, the decrease in production taxes primarily resulted from lower commodity prices related to our Marcellus Shale properties. Production taxes for the nine months ended September 30, 2015 and 2014 were approximately 3.6% and 4.6%, respectively, of oil, condensate, natural gas and NGLs revenues. The decrease in the production tax as a percentage of revenues is primarily the result of an increase in Mid-Continent revenues that benefit from an initial four-year production tax abatement reducing the rate from 7% to 1% on new horizontal wells drilled. Effective July 1, 2015, the production tax abatement on new horizontal wells drilled was reduced to an initial three-year production abatement period and the rate was reduced from 7% to 2%.

*Lease operating expenses.* We reported LOE of \$18.5 million for the nine months ended September 30, 2015 compared to \$13.1 million for the nine months ended September 30, 2014. Our total LOE was \$5.07 per Boe for the nine months ended September 30, 2015 compared to \$4.96 per Boe for the same period in 2014. Excluding \$185,000 of a one-time reduction to LOE related to an arbitration settlement during the nine months ended September 30, 2014, our total LOE would have been \$5.03 per Boe for the nine months ended September 30, 2014. The increase in our LOE was primarily due to a \$3.8 million increase in one-time workover expense for production enhancing workovers completed on certain WEHLU wells, a \$611,000 increase in controllable LOE resulting from new wells and higher overall costs associated with producing oil versus natural gas, an increase in ad valorem taxes of \$476,000 and a \$497,000 increase in insurance costs. Excluding workover expense, LOE per Boe for the nine months ended September 30, 2015 would have been \$4.01 compared to \$4.95 for the nine months ended September 30, 2014.

*Transportation, treating and gathering.* We reported transportation expenses of \$1.7 million for the nine months ended September 30, 2015 compared to \$3.2 million for the nine months ended September 30, 2014. Transportation, treating and gathering expense reported for the nine months ended September 30, 2014 includes \$1.6 million of expense attributed to a one-time adjustment related to an arbitration settlement. Excluding the one-time adjustment, year to date September 30, 2014 transportation expense would have been \$1.6 million.

*Depreciation, depletion and amortization.* We reported DD&A expense of \$45.9 million for the nine months ended September 30, 2015 up from \$33.8 million for the nine months ended September 30, 2014. The increase in DD&A expense was the result of a 39% increase in production partially offset by a 2% decrease in the DD&A rate per Boe. The DD&A rate for the nine months ended September 30, 2015 was \$12.60 per Boe compared to \$12.83 per Boe for the same period in 2014. The decrease in the rate is primarily due to higher proved reserves at September 30, 2015 compared to September 30, 2014 and impairments of proved costs taken in 2015.

*Impairment of oil and natural gas properties.* We reported an impairment of oil and natural gas properties of \$282.1 million for the nine months ended September 30, 2015. The impairment is the result of a 28% decline in the 12-month average natural gas price and a 40% decline in the 12-month average oil price used in the calculation of our full cost ceiling test at September 30, 2015 compared to September 30, 2014. For a description of the ceiling test impairment determination and a discussion of the likelihood of future impairment charges in 2015 and the impact of recent price declines on such impairments, see Part I, Item 1. "Financial Statements, Note 3 – Property, Plant and Equipment." At September 30, 2015, our ceiling test impairment calculation was based on SEC pricing of \$3.06 per MMBtu of Henry Hub spot natural gas and \$59.21 per barrel of West Texas Intermediate spot oil which compares to the trailing 12-month unweighted average commodity prices subsequent to quarter end as of October 1, 2015 pricing of \$2.94 per MMBtu of Henry Hub spot natural gas and \$55.84 per barrel of West Texas Intermediate spot oil.

*General and administrative expense.* We reported general and administrative expenses of \$13.4 million for the nine months ended September 30, 2015 compared to \$12.7 million for the nine months ended September 30, 2014. Non-cash stock-based compensation expense, which is included in general and administrative expense, increased \$223,000 to \$3.9 million for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. Excluding stock-based compensation expense, general and administrative expense increased \$471,000 to \$9.4 million for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. This increase is primarily due to \$481,000 of costs incurred for the acquisition of Oklahoma properties from our AMI co-participant.

*Interest expense.* We reported interest expense of \$22.4 million for the nine months ended September 30, 2015 compared to \$20.8 million for the nine months ended September 30, 2014. The increase in interest expense is primarily due to additional borrowings under the revolving credit facility.

*Dividends on preferred stock.* We reported dividends on preferred stock of \$10.9 million and \$10.8 million for the nine months ended September 30, 2015 and 2014, respectively. The Series A Preferred Stock had a stated value and liquidation preference of approximately \$101.1 million at September 30, 2015 and 2014, respectively, and carries a cumulative dividend rate of 8.625% per annum. Dividends on the Series A Preferred Stock were \$6.5 million for the nine months ended September 30, 2015 and 2014, respectively. The Series B Preferred Stock, issued during November 2013, had a stated value and liquidation preference of \$53.5 million at September 30, 2015 and 2014, respectively, and carries a cumulative dividend rate of 10.75% per annum. Dividends on the Series B Preferred Stock were \$4.3 million for the nine months ended September 30, 2015 and 2014. Based on the number of shares of Series A Preferred Stock and Series B Preferred Stock outstanding at September 30, 2015, our future stated preferred dividend expense is approximately \$3.6 million per quarter, which is subject to being declared and paid monthly.

## **Liquidity and Capital Resources**

*Overview.* Our primary sources of liquidity and capital resources are internally generated cash flows from operating activities, availability under the Revolving Credit Facility, access to capital markets, to the extent available, and potential asset sales. If commodity prices remain low or decline further, our liquidity will be adversely affected. A sustained low commodity price environment may (i) negatively impact our ability to comply with our financial covenants in future periods and (ii) lead to reductions

in our proved reserves and the estimated future value thereof. We have assessed our financial condition, our liquidity situation under our Revolving Credit Facility, the current capital and credit markets and options given different scenarios of commodity prices and we believe that the funds from operating cash flows, available borrowings under our Revolving Credit Facility and proceeds from capital markets transactions and asset sales should be sufficient to meet our cash requirements for at least the next 12 months. Although we cannot predict how an extended period of commodity prices at existing levels will affect our operations and liquidity levels, we continually evaluate our capital needs and compare them to our capital resources and ability to raise funds in the financial markets and adjust capital expenditures in response to changes in oil, condensate, natural gas and NGLs prices, drilling results and cash flow.

For the nine months ended September 30, 2015, we reported cash flows provided by operating activities of \$54.8 million. For the nine months ended September 30, 2015, we reported net cash used in investing activities of \$77.4 million primarily for the development of oil and natural gas properties of \$121.1 million offset by \$47.9 million in proceeds from the sale of non-core oil and natural gas properties located in the Mid-Continent area. For the nine months ended September 30, 2015, we reported net cash provided by financing activities of \$21.9 million, consisting primarily of \$35.0 million of net borrowings under our Revolving Credit Facility partially offset by \$10.9 million of preferred stock dividends paid and \$1.4 million of tax withholding related to restricted stock and PBU vestings during the period. As a result of these activities, our cash and cash equivalents balance decreased by \$657,000, resulting in a cash and cash equivalents balance of \$10.4 million at September 30, 2015.

At September 30, 2015, we had a net working capital deficit of approximately \$3.4 million. At September 30, 2015, availability under our Revolving Credit Facility was \$120.0 million.

*Future capital and other expenditure requirements.* Capital expenditures for the remainder of 2015, including the Mid-Continent acquisition of \$43.3 million before adjustments, are currently projected to be approximately \$58.3 million. Excluding the acquisition, in the Appalachian Basin and Mid-Continent, we expect to spend \$4.9 million and \$8.8 million, respectively, for drilling, completion, infrastructure, lease acquisition and seismic costs. In addition, we have allocated \$1.3 million for capitalized general and administrative costs. We plan to fund our remaining 2015 capital budget through existing cash balances, internally generated cash flow from operating activities, borrowings under the Revolving Credit Facility, the divestiture of our Marcellus Shale and Utica/Point Pleasant assets and possible capital markets transactions.

We are closely monitoring the recent volatility in the commodity markets, in particular the recent drop in oil and NGLs prices and the continued widening of basis differentials in Appalachia, and we are developing capital plans responsive to changes that are occurring in the commodity and capital markets. Our capital expenditures and the scope of our drilling activities may change as a result of several factors, including, but not limited to, changes in oil, condensate, natural gas and NGLs prices, costs of drilling and completion and leasehold acquisitions, drilling results, and changes in the borrowing base under the Revolving Credit Facility. We operate approximately 100% of our remaining budgeted 2015 capital expenditures.

We are currently evaluating our capital plans for 2016; however, based upon current commodity price volatility, we do not anticipate finalizing our capital plan until early 2016. However, we expect our capital expenditures for 2016 to be reduced from 2015 spending levels.

*Operating cash flow and commodity hedging activities.* Our operating cash flow is sensitive to many variables, the most significant of which is the volatility of prices for oil, condensate, natural gas and NGLs. Prices for these commodities are determined primarily by prevailing market conditions including national and worldwide economic activity, weather, infrastructure capacity to reach markets, supply levels and other variable factors. These factors are beyond our control and are difficult to predict.

To mitigate some of the potential negative impact on cash flows caused by changes in oil, condensate, natural gas and NGLs prices, we have entered into financial commodity costless collars, index swaps, basis and fixed price swaps and put and call options to hedge oil, condensate, natural gas and NGLs price risk. The crude oil fixed price swaps provide price protection for our future oil sales and butane, isobutene and pentanes components of our NGLs production as these heavy components of NGLs have pricing that correlates closely with oil pricing. We have designated 50% of our current crude hedges as price protection for a portion of our NGLs production. For additional information regarding our hedging activities, see Part I, Item 1. "Financial Statements, Note 6 – Derivative Instruments and Hedging Activity" of this report.

At September 30, 2015, the estimated fair value of all of our commodity derivative instruments was a net asset of \$27.3 million, comprised of current and non-current assets and liabilities. By removing the price volatility from a portion of our oil, condensate, natural gas and NGLs sales for the remainder of 2015 through 2018, we have mitigated, but not eliminated, the potential effects of changing prices on our operating cash flows for those periods. While mitigating negative effects of falling commodity prices, certain derivative contracts also limit the benefits we could receive from increases in commodity prices. In conjunction with certain commodity derivative hedging activity, we deferred the payment of certain put premiums for the production month period October 2015 through December 2018. At September 30, 2015, we had a current commodity premium payable of \$2.4 million and a long-term

commodity premium payable of \$3.6 million. The put premium liabilities become payable monthly as the hedge production month becomes the prompt production month.

As of September 30, 2015, all of our commodity derivative hedge positions were with a multinational energy company or large financial institutions, each of which is not known to us to be in default on their derivative positions. We are exposed to credit risk to the extent of non-performance by the counterparties in the derivative contracts discussed above; however, we do not anticipate non-performance by such counterparties.

*ATM Program.* We have an at-the-market equity offering program (the “ATM Program”) pursuant to which we may issue and sell shares of our common stock having an aggregate offering price up to \$50.0 million in amounts and at times as we determine from time to time. Actual issuances, if any, will depend on a variety of factors to be determined by us, including, among others, market conditions, the trading price of our common stock, our determinations of the appropriate sources of funding for our company and potential uses of funding available to us. During the three and nine months ended September 30, 2015, we did not issue any shares of common stock under the ATM Program.

*Revolving Credit Facility.* Our Revolving Credit Facility provides for a maximum amount of \$500.0 million, subject to a borrowing base, which, at September 30, 2015, was \$200.0 million. At September 30, 2015, we had \$80.0 million of borrowings outstanding under our Revolving Credit Facility. As of November 2, 2015, we had \$95.0 million of borrowings outstanding under our Revolving Credit Facility.

On March 9, 2015, the Company, together with the parties thereto, entered into a Master Assignment, Agreement and Amendment No. 5 (“Amendment No. 5”) to Second Amended and Restated Credit Agreement. Amendment No. 5 amended the Revolving Credit Facility to, among other things, (i) increase the borrowing base from \$145.0 million to \$200.0 million, (ii) adjust the total leverage ratio for each fiscal quarter ending on or after March 31, 2015 but prior to September 30, 2016, to 5.25 to 1.00; for the fiscal quarter ending on September 30, 2016, to 5.00 to 1.00; for the fiscal quarter ending on December 31, 2016, to 4.75 to 1.00; for the fiscal quarter ending on March 31, 2017, to 4.25 to 1.00; and for each fiscal quarter ending on or after June 30, 2017, to 4.00 to 1.00, (iii) adjust the interest coverage ratio for each fiscal quarter ending on or after March 31, 2015 but prior to March 31, 2016, to 2.00 to 1.00 and for each fiscal quarter ending on or after March 31, 2016, to 2.50 to 1.00, and (iv) add the senior secured leverage ratio covenant, such ratio not to exceed, (a) for each fiscal quarter ending on or after March 31, 2015 but prior to June 30, 2016, 2.25 to 1.00 and (b) for each fiscal quarter ending on or after June 30, 2016, 2.00 to 1.00 provided that this senior secured leverage ratio shall cease to apply commencing with the first fiscal quarter end occurring after June 30, 2016 for which the total leverage ratio is equal to or less than 4.00 to 1.00. As a condition to borrow funds or obtain letters of credit under our Revolving Credit Facility, we must remain in compliance with the financial ratios in our Credit Agreement and we also must certify to our bank lenders that our representations and warranties contained in the Credit Agreement remain true and correct. If we do not meet our financial ratios or are unable to give the required certification, then we would need a waiver or amendment from our bank lenders in order to continue to be able to borrow or obtain letters of credit under our Revolving Credit Facility. Although we believe our bank lenders are well secured under the terms of our Revolving Credit Facility and the bank lenders have provided financial ratio relief in the past such as in the recent Amendment No. 5, there is no assurance that the bank lenders would further waive or amend our financial ratios or any other requirements that are conditions to future lending or issuances of letters of credit.

Borrowing base redeterminations are scheduled semi-annually in May and November of each calendar year. The Company and its lender group may each request one additional unscheduled redetermination during any six-month period between scheduled redeterminations. At September 30, 2015, the Revolving Credit Facility had a borrowing base of \$200.0 million, with \$80.0 million borrowings outstanding and availability of \$120.0 million. The next regularly scheduled redetermination is set for May 2016. Future increases in the borrowing base in excess of the original \$50.0 million are limited to 17.5% of the increase in adjusted consolidated net tangible assets (“ACNTA”) as defined in the indenture pursuant to which our Notes are issued.

Future borrowings under our Revolving Credit Facility in excess of \$50.0 million are, with certain exceptions for additional permitted borrowings, limited to 17.5% of ACNTA, as defined in the indenture pursuant to which our Notes are issued. In light of the dramatic drop in commodities prices occurring this year, our ACNTA is expected to be reduced substantially at year-end 2015. As a result, we believe that it is likely that after December 31, 2015 our ability to borrow under our Revolving Credit Facility will be limited by the covenants in our Notes indenture to an amount less than our current \$200.0 million borrowing base. Absent an amendment to this indenture covenant approved by the indenture trustee and holders of a majority in principal amount of our Notes, which we are not currently contemplating seeking to obtain nor are we assured of obtaining if we did pursue, we may determine to draw the full amount of un-borrowed available funds under our Revolving Credit Facility on or prior to determining year-end 2015 ACNTA in order to have such funds available. Future reductions in our borrowing base to an amount below amounts borrowed would have to be repaid from such funds or other funds generated by operations or asset sales.

At September 30, 2015, we were in compliance with all financial covenants under the Revolving Credit Facility. For a more detailed description of the terms of our Revolving Credit Facility, see Part I, Item 1. “Financial Statements, Note 4 – Long-Term Debt” of this report.

*Senior Secured Notes.* We have \$325.0 million of senior secured notes outstanding, which are due May 15, 2018. For a more detailed description of the terms of our Notes, see Part I, Item 1. “Financial Statements, Note 4 - Long-Term Debt - Senior Secured Notes” of this report. At September 30, 2015, we were in compliance with all covenants under the indenture governing the Notes.

*Series A Preferred Stock.* We pay cumulative dividends on the Series A Preferred Stock at a fixed rate of 8.625% per annum of the aggregate \$101.1 million stated value and liquidation preference. For the three and nine months ended September 30, 2015, we recognized dividend expense of \$2.2 million and \$6.5 million, respectively, for the Series A Preferred Stock.

*Series B Preferred Stock.* We pay cumulative dividends on the Series B Preferred Stock at a fixed rate of 10.75% per annum of the aggregate \$53.5 million stated value and liquidation preference. For the three and nine months ended September 30, 2015, we recognized dividend expense of \$1.4 million and \$4.3 million, respectively, for the Series B Preferred Stock.

#### **Off-Balance Sheet Arrangements**

As of September 30, 2015, we had no off-balance sheet arrangements. We have no plans to enter into any off-balance sheet arrangements in the foreseeable future.

#### **Commitments and Contingencies**

As is common within the industry, we have entered into various commitments and operating agreements related to the exploration and development of and production from proved oil and natural gas properties. It is management’s belief that such commitments will be met without a material adverse effect on our financial position, results of operations or cash flows.

We are party to various litigation matters and administrative claims arising out of the normal course of business. Although the ultimate outcome of each of these matters cannot be absolutely determined and the liability the Company may ultimately incur with respect to any one of these matters in the event of a negative outcome may be in excess of amounts currently accrued with respect to such matters, management does not believe any such matters will have a material adverse effect on our financial position, results of operations or cash flows. A discussion of current legal proceedings is set forth in Part I, Item 1. “Financial Statements, Note 11 – Commitments and Contingencies” of this report.

#### **Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, contingent assets and liabilities and the related disclosures in the accompanying condensed consolidated financial statements. Changes in these estimates and assumptions could materially affect our financial position, results of operations or cash flows. Management considers an accounting estimate to be critical if:

- It requires assumptions to be made that were uncertain at the time the estimate was made; and
- Changes in the estimate or different estimates could have a material impact on our consolidated results of operations or financial condition.

Significant accounting policies that we employ and information about the nature of our most critical accounting estimates, our assumptions or approach used and the effects of hypothetical changes in the material assumptions used to develop each estimate are presented in Part I, Item 1. “Financial Statements, Note 2 – Summary of Significant Accounting Policies” of this report and in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates” included in our 2014 Form 10-K.

#### **Recent Accounting Developments**

For a discussion of recent accounting developments, see Part I, Item 1. “Financial Statements, Note 2 – Summary of Significant Policies” of this report.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

#### ***Commodity Price Risk***

Our major commodity price risk exposure is to the prices received for our oil, condensate, natural gas and NGLs production. Our results of operations and operating cash flows are affected by changes in market prices. Realized commodity prices received for our production are the spot prices applicable to oil, condensate, natural gas and NGLs in the region produced. Prices received for oil, condensate, natural gas and NGLs are volatile, unpredictable and beyond our control. To mitigate a portion of the exposure to adverse market changes, we have entered into various derivative instruments. For the three and nine months ended September 30, 2015, a 10% change in the prices received for oil, condensate, natural gas and NGLs production would have had an approximate \$1.7 million and \$6.5 million, impact on our revenues prior to hedge transactions to mitigate our commodity pricing risk, respectively. See Part I, Item 1. “Financial Statements, Note 6 – Derivative Instruments and Hedging Activity” of this report for additional information regarding our hedging activities.

#### ***Interest Rate Risk***

We are exposed to changes in interest rates as a result of our Revolving Credit Facility. At September 30, 2015, we had \$80.0 million of borrowings outstanding under our Revolving Credit Facility. We have not entered into interest rate hedging arrangements in the past, and have no current plans to do so. Due to the potential for fluctuating balances in the amount outstanding under our Revolving Credit Facility, we do not believe such arrangements to be cost effective. The amount outstanding under the Notes is at fixed interest of 8.625% per annum. We currently do not use interest rate derivatives to mitigate our exposure to the volatility in interest rates, including under the Revolving Credit Facility, as this risk is minimal.

### **Item 4. Controls and Procedures**

#### ***Management’s Evaluation on the Effectiveness of Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), as of September 30, 2015. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2015, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

A discussion of current legal proceedings is set forth in Part I, Item 1. “Financial Statements, Note 11 – Commitments and Contingencies” of this report.

### Item 1A. Risk Factors

Information about material risks related to our business, financial condition and results of operations for the three and nine months ended September 30, 2015 does not materially differ from that set out under Part I, Item 1A. “Risk Factors” in our 2014 Form 10-K. You should carefully consider the risk factors and other information discussed in our 2014 Form 10-K, as well as the information provided in this report. These risks are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, operating results and cash flows.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### Issuer Purchases of Equity Securities

The following table sets forth our share repurchase activity for each period presented:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Number of Shares that May Yet be Purchased Under the Plan
August 1, 2015 – August 31, 2015	3,167	1.66	—	n/a

Shares purchased represent shares of common stock forfeited in connection with the payment of estimated withholding taxes on shares of restricted common stock that vested during the period.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosure

Not applicable.

### Item 5. Other Information

#### *Amendment to Bylaws*

On November 4, 2015, the board of directors (the “Board”) of the Company adopted Amended and Restated Bylaws (the “Bylaws”) of the Company. The Bylaws became effective immediately and include, among other things, the following changes:

- Providing for additional disclosure requirements for notices of director nominations and stockholder proposals.
- Clarifying the Board’s authority to cancel, postpone or reschedule stockholder meetings.
- Clarifying the powers of the chairman of a stockholder meeting.
- Providing for an explicit confidentiality obligation for stockholder-nominated directors.
- Designating the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain legal actions.

The foregoing description of the Bylaws is not complete and is qualified in its entirety by reference to the complete text of the Bylaws, a copy of which is filed as Exhibit 3.2 to this Quarterly Report on Form 10-Q and incorporated by reference herein.

### Item 6. Exhibits

The exhibits required to be filed or furnished pursuant to the requirements of Item 601 of Regulation S-K are set forth in the Exhibit Index accompanying this Form 10-Q and are incorporated herein by reference.



## EXHIBIT INDEX

Exhibit Number	Description
2.1	Amended and Restated Plan of Arrangement Under Section 193 of the Business Corporations Act (Alberta), effective as of November 14, 2013 (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K filed with the SEC on November 15, 2013. File No. 001-32714).
2.2	Agreement and Plan of Merger, dated as of January 31, 2014, among Gastar Exploration, Inc. and Gastar Exploration USA, Inc. (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K filed with the SEC on January 31, 2014. File No. 000-55138).
2.3**	Purchase and Sale Agreement, dated May 1, 2015, by and between Gastar Exploration Inc. and Oklahoma Energy Acquisitions, LP. (incorporated by reference to Exhibit 2.3 of the Quarterly Report on Form 10-Q filed with the SEC on May 7, 2015. File No. 001-35211).
2.4	First Amendment of Purchase and Sale Agreement, dated June 22, 2015, by and between Gastar Exploration Inc. and Oklahoma Energy Acquisitions, LP (incorporated by reference to Exhibit 2.4 of the Quarterly Report on Form 10-Q filed with the SEC on August 6, 2015. File No. 001-35211).
2.5**	Purchase and Sale Agreement, dated October 14, 2015, by and between Gastar Exploration Inc. and Husky Ventures, Inc., Silverstar of Nevada, Inc., Maximus Exploration, LLC and Atwood Acquisitions, LLC (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K filed with the SEC on October 16, 2015. File No. 001-35211).
3.1	Amended and Restated Certificate of Incorporation of Gastar Exploration Inc. (formerly known as Gastar Exploration USA, Inc.) (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed with the SEC on October 28, 2013. File No. 001-35211).
3.2†	Amended and Restated Bylaws of Gastar Exploration Inc. dated November 4, 2015.
3.3	Certificate of Merger of Gastar Exploration, Inc. into Gastar Exploration USA, Inc. (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed with the SEC on January 31, 2014. File No. 000-55138).
3.4	Certificate of Designation of Rights and Preferences of 8.625% Series A Cumulative Preferred Stock (incorporated by reference to Exhibit 3.3 of Gastar Exploration USA, Inc.'s Form 8-A filed on June 20, 2011. File No. 001-35211).
3.5	Certificate of Designation of Rights and Preferences of 10.75% Series B Cumulative Preferred Stock (incorporated by reference to Exhibit 3.4 of the Form 8-A filed with the SEC on November 1, 2013. File No. 001-35211).
31.1†	Certification of Principal Executive Officer of Gastar Exploration Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2†	Certification of Principal Financial Officer of Gastar Exploration Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1††	Certification of Principal Executive Officer and Principal Financial Officer of Gastar Exploration Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document

† Filed herewith.

†† By SEC rules and regulations, deemed not filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act, or the Exchange Act.

\*\* Pursuant to Item 601(b)(2) of Regulation S-K, the schedules and similar attachments have not been filed herewith. The registrant agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

**AMENDED AND RESTATED**  
**BYLAWS OF**  
**GASTAR EXPLORATION INC.**

**ARTICLE 1**  
**OFFICES**

Section 1.01 **Registered Office.** The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 1.02 **Other Offices.** The Corporation shall also have and maintain a principal place of business at such place, within or without the State of Delaware, as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

Section 1.03 **Books.** The books of the Corporation may be kept within or without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

**ARTICLE 2**  
**MEETINGS OF STOCKHOLDERS**

Section 2.01 **Time and Place of Meetings.** All meetings of stockholders shall be held at such place, either within or without the State of Delaware, on such date and at such time as may be determined from time to time by the Board of Directors (or the chairman in the absence of a designation by the Board of Directors) or the chief executive officer as shall be specified or fixed in the notices or waivers of notice relating thereto. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as provided under the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (the "**Delaware Corporation Law**").

Section 2.02 **Annual Meetings.** Unless directors are elected by written consent in lieu of an annual meeting, as permitted by Delaware Corporation Law, an annual meeting of stockholders shall be held for the election of directors to succeed those whose terms expire and to transact such other business as may properly be brought before the meeting.

Section 2.03 **Special Meetings.**

(a) Except as otherwise provided in the Certificate of Incorporation, special meetings of stockholders for any purpose or purposes may be called at any time by (i) the Board of Directors (or the chairman in the absence of a designation by the Board of Directors) or (ii) the chief executive officer.

(b) Business conducted at a special meeting shall be limited to the matters described in the Corporation's notice of meeting pursuant to Section 2.04 for such special meeting and any other matters as the Board of Directors shall determine.

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Section 2.04      **Notice of Meetings; Waivers of Notice.**

(a) Except as otherwise provided by Delaware Corporation Law or the Certificate of Incorporation, whenever stockholders are required or permitted to take any action at a meeting, notice, given in writing or by electronic transmission, of the meeting shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining stockholders entitled to vote at such meeting, if such record date is different from the record date for determining stockholders entitled to notice of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by Delaware Corporation Law, such notice shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder of record entitled to notice of such meeting.

(b) Whenever notice is required to be given under any provision of Delaware Corporation Law or the Certificate of Incorporation or these Bylaws, a waiver, given in writing or by electronic transmission, given by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of, any regular or special meetings of stockholders need be specified in any waiver of notice unless so required by the Certificate of Incorporation or these Bylaws. Attendance of a person at a meeting or by remote communication, if applicable, or by proxy, shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 2.05      **Notice of Nominations and Stockholder Business.**

(a)      **Annual Meetings of Stockholders.** Nominations of persons for election to the Board of Directors of the Corporation or the proposal of other business to be transacted by the stockholders may be made at an annual meeting of stockholders only (A) pursuant to the Corporation's notice of meeting (or any supplement thereto) and Proxy Statement under Rule 14a-8 under the Exchange Act, as amended, and the rules and regulations thereunder (the "**Exchange Act**"), (B) by or at the direction of the Board of Directors (or the chairman in the absence of a designation by the Board of Directors) or the chief executive officer or (C) by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 2.05(a) and at the time of the meeting, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.05(a) and applicable law. For the avoidance of doubt, this Section 2.05(a) shall be the exclusive means for a stockholder to make nominations and submit other business (other than matters properly included in the Corporation's notice of meeting and Proxy Statement) before an annual meeting of stockholders.

(i) For nominations or other business to be properly brought before an annual meeting of stockholders by a stockholder pursuant to clause (C) of paragraph (a) of this

Section 2.05, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation and any such proposed business (other than the nominations of persons for election to the Board of Directors) must constitute a proper matter for stockholder action. To be timely, a stockholder's notice shall be received by the secretary of the Corporation at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting of stockholders; *provided, however*, that in the event that the date of the annual meeting is advanced more than thirty (30) days before such anniversary date or delayed more than thirty (30) days after such anniversary date then to be timely such notice must be received by the Corporation no earlier than one hundred twenty (120) days prior to such annual meeting and no later than the later of ninety (90) days prior to the date of the meeting or, if the first public announcement of the date of such annual meeting is less than 90 days prior to the date of such annual meeting, the tenth (10th) day following the day on which public announcement of the date of the meeting was first made by the Corporation. In no event shall an adjournment, recess or postponement of an annual meeting or the public announcement thereof commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. For purposes of Sections 2.05(a)(i) and 2.05(b) of these Bylaws, "**public announcement**" shall mean disclosure (A) in a press release reported by the Dow Jones News Service, the Associated Press or any comparable national news service, (B) in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act or (C) in a notice of meeting (or any supplement) pursuant to Section 2.04 of these Bylaws.

(ii) A stockholder's notice to the corporate secretary shall set forth or provide (A) as to each person whom the stockholder proposes to nominate for election or reelection as a director: (1) the name, age, business address and residence address of such person, (2) the principal occupation or employment of such person (present and for the past five (5) years), (3) the class or series and number of shares of capital stock of the Corporation which are owned beneficially and of record by such person, (4) a complete and accurate description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years (whether written or oral), and any other material relationships, between or among any nominating stockholder or Stockholder Associated Person (as defined below) on the one hand, and each proposed nominee, and his or her respective affiliates and associates (each as defined under Regulation 12b-2 of the Exchange Act (or any successor provision thereto)), or others acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such nominating stockholder and any Stockholder Associated Person were the "registrant" for purposes of such rule and the proposed nominee were a director or executive officer of such registrant, (5) all information relating to such person that would be required to be disclosed in solicitations of proxies for election of directors in a contested solicitation, or is otherwise required, in each case pursuant to Section 14A under the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (6) a completed and signed questionnaire, written

representation and agreement, each as required by Section 2.13; (B) as to any other business (other than the nomination of directors) that the stockholder proposes to bring before the meeting, (1) a brief description of the business desired to be brought before the meeting, (2) the text of the proposal or business (including the complete text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the text of the proposed amendment), (3) a complete and accurate description of all agreements, arrangements and understandings between or among such stockholder and such Stockholder Associated Person, if any, and any other person or persons (including their names and addresses) in connection with the proposal of such business, (4) the reasons for conducting such business at the meeting, and (5) a complete and accurate description of any material interest in such business of such stockholder and the Stockholder Associated Person, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the Stockholder Associated Person, if any, on whose behalf the nomination or proposal is made (including any affiliate or associate (each within the meaning of Rule 12b-2 of the Exchange Act (or any successor provision thereto)) of such stockholder or Stockholder Associated Person): (1) the name and address of such stockholder (as they appear on the Corporation's books) and of any such Stockholder Associated Person; (2) the class or series and number of shares of capital stock of the Corporation which are, directly or indirectly, held of record or are beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such stockholder and by any such Stockholder Associated Person (except that such stockholder and any such Stockholder Associated Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such stockholder or Stockholder Associated Person has a right to acquire beneficial ownership at any time in the future); (3) a complete and accurate description of any agreement, arrangement or understanding between or among such stockholder and any such Stockholder Associated Person, any of their respective affiliates or associates, and any other person or persons (including their names) in connection with the proposal of such nomination or other business; (4) a complete and accurate description of any agreement, arrangement or understanding (whether written or oral) (including, regardless of the form of settlement, any derivative, long or short positions, profit interests, forwards, futures, swaps, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions and borrowed or loaned shares) that has been entered into by or on behalf of, or any other agreement, arrangement or understanding that has been made, the effect or intent of which is to create or mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or any such Stockholder Associated Person or any such nominee with respect to the Corporation's securities (a "**Derivative Instrument**"); (5) a certification as to the stockholder's country of citizenship (accompanied by reasonable supporting documentation evidencing such citizenship), (6) the name of each person with whom such stockholder, or Stockholder Associated Person, or nominee has any agreement, arrangement or understanding (whether written or oral) (a) for the purposes of acquiring, holding, voting (except pursuant to a revocable proxy given to such person in response to a public proxy made generally by such person to all holders of shares of the Corporation) or disposing of any shares of capital stock of the Corporation, (b) to cooperate in obtaining, changing or influencing the control of the Corporation (except independent

financial, legal and other advisors acting in the ordinary course of their respective businesses), (c) with the effect or intent of increasing or decreasing the voting power of, or that contemplates any person voting together with, any such stockholder or Stockholder Associated Person with respect to any shares of the capital stock of the Corporation, any business proposed by a stockholder and a description of each such agreement, arrangement or understanding; (7) a list of all transactions by such stockholder and any Stockholder Associated Person involving any securities of the Corporation or any Derivative Instruments within the six-month period prior to the date of the notice; (8) to the extent not disclosed pursuant to clause (4) above, the principal amount of any indebtedness of the Corporation or any of its subsidiaries beneficially owned by such stockholder or by any such Stockholder Associated Person, together with the title of the instrument under which such indebtedness was issued and a description of any Derivative Instrument entered into by or on behalf of such stockholder or such Stockholder Associated Person relating to the value or payment of any indebtedness of the Corporation or any such subsidiary; (9) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting, will continue to be a holder of record of stock entitled to vote at such meeting through the date of such meeting and intends to appear in person or by proxy at the meeting to bring such nomination or other business before the meeting; (10) any other information relating to such stockholder and any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal pursuant to Regulation 14A of the Exchange Act; (11) a complete and accurate description of any proxy, contract, or any event, understanding, or relationship pursuant to which such stockholder and such Stockholder Associated Person, if any, has a right to vote any shares or any security of the Corporation; and (12) a representation as to whether such stockholder or any such Stockholder Associated Person intends or is part of a group that intends to (i) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the voting power of the Corporation's outstanding capital stock required to approve or adopt the proposal or to elect each such nominee and/or (ii) otherwise to solicit proxies from stockholders in support of such proposal or nomination.

(iii) For the purposes of this Section 2.05, "**Stockholder Associated Person**" of any stockholder shall mean: (A) any beneficial owner of shares of stock of the Corporation on whose behalf any proposal or nomination is made by such stockholder; (B) any affiliates or associates of such stockholder or any beneficial owner described in clause (A) (each within the meaning of Rule 12b-2 of the Exchange Act (or any successor provision thereto)); and (C) each other person with whom any of the persons described in the foregoing clauses (A) and (B) either is acting in concert with such stockholder with respect to the Corporation or has any agreement, arrangement or understanding (whether written or oral) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy given to such person in response to a public proxy solicitation made generally by such person to all stockholders entitled to vote at the meeting) or disposing of any capital stock of the Corporation or to cooperate in obtaining, changing or influencing the control of the Corporation (except independent financial, legal and other advisors acting in the ordinary course of their respective businesses).

(iv) A stockholder providing notice of business or any nomination proposed to be brought before a meeting shall further update and supplement such notice, if necessary so that the information provided or required to be provided in such notice pursuant to this Section 2.05 is true and correct as of (A) the record date for the meeting and (B) the date that is five (5) business days prior to the meeting and, in the event of any adjournment, recess or postponement thereof, five (5) business days prior to such adjourned, recessed or postponed meeting. In the case of an update and supplement pursuant to clause (A) of this paragraph, such update and supplement shall be received by the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for the meeting. In the case of an update and supplement pursuant to clause (B) of this paragraph, such update and supplement shall be received by the Secretary at the principal executive offices of the Corporation not later than two (2) business days prior to the date for the meeting, and, in the event of any adjournment, recess or postponement thereof, two (2) business days prior to such adjourned, recessed or postponed meeting.

(v) The Corporation may require any proposed nominee to furnish such other information (A) as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation in accordance with the Corporation's internal governance guidelines or (B) that could be material to a reasonable stockholder's understanding of the independence or lack of independence in accordance with the Corporation's internal governance guidelines.

(vi) Notwithstanding anything to the contrary, the notice requirements set forth herein with respect to the proposal of any business pursuant to this Section 2.05 (other than the nomination of directors) shall be deemed satisfied by a stockholder if such stockholder has submitted a proposal to the Corporation in compliance with Rule 14a-8 promulgated under the Securities and Exchange Act of 1934 and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for the meeting of stockholders.

(b) **Special Meetings of Stockholders.** Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting pursuant to Section 2.04. Nominations of candidates for election to the Board of Directors of the Corporation at a special meeting of stockholders may be made by stockholders only if the election of directors is included as business to be brought before a special meeting in the Corporation's notice of meeting pursuant to Section 2.04 and then only by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 2.05(b) and at the time of the meeting, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.05(b) and applicable law. For nominations to be properly brought before a special meeting of stockholders by a stockholder pursuant to this Section 2.05(b), the stockholder must have given timely notice thereof in writing to the secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received by the secretary of the Corporation at the principal executive offices of the Corporation (A) not earlier than one hundred twenty (120) days prior to the date of the special meeting nor (B) later

than the later of ninety (90) days prior to the date of the special meeting or the tenth (10th) day following the day on which public announcement of the date of the special meeting was first made. Such stockholder's notice shall comply with the notice requirements of Section 2.05(a)(ii), (iii), (iv) and (v).

(c) **General.**

(i) At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the secretary of the Corporation the information that is required to be set forth in a stockholder's notice of nomination that pertains to the nominee. No person shall be eligible to be nominated by a stockholder to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.05 and applicable law. No business shall be conducted at a stockholder meeting except in accordance with the procedures set forth in Section 2.04 and this Section 2.05 and applicable law. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws or applicable law or that business was not properly brought before the meeting, and if he should so determine and declare, the defective nomination shall be disregarded or such business shall not be transacted, as the case may be. Notwithstanding the foregoing provisions of this Section 2.05, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or other proposed business, such nomination shall be disregarded or such proposed business shall not be transacted, as the case may be, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.05, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(ii) Without limiting the foregoing provisions of this Section 2.05, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.05; *provided, however*, that any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 2.05, and compliance with Section 2.05(a) and (b) shall be the exclusive means for a stockholder to make nominations or submit other business (other than as provided in Section 2.05(a)(iv)).

**Quorum; Adjournment and Postponements of Meetings.**

(a) Unless otherwise provided in the Certificate of Incorporation or these Bylaws and subject to Delaware Corporation Law, the presence, in person, by remote communication, if applicable, or by proxy, of the holders of one-third (33 1/3%) of the outstanding capital stock of the Corporation entitled to vote at a meeting of stockholders shall constitute a quorum for the transaction of business. If, however, such quorum shall not be present at any meeting of the stockholders, either the chairman of the meeting or a majority of the stockholders present in person, by remote communication, if applicable, or represented by proxy may adjourn or recess the meeting, without any notice other than announcement at the meeting at which the adjournment or recess is taken of the place, if any, date and hour of the holding of the adjourned or recessed meeting, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, are announced at the meeting at which the adjournment or recess is taken, until a quorum shall be present. At such adjourned or recessed meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until further adjournment or recess, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

(b) The chairman of the meeting may adjourn or recess any meeting of stockholders, annual or special, at any time and for any reason, whether or not a quorum is present, to reconvene at the same or some other place. Unless these Bylaws otherwise require, when a meeting is adjourned or recessed to another time or place (whether or not a quorum is present), notice need not be given of the adjourned or recessed meeting if the place, if any, date and hour of the holding of the adjourned or recessed meeting, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, are announced at the meeting at which the adjournment or recess is taken. At the adjourned or recessed meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment or recess is for more than thirty (30) days, or if after the adjournment or recess a new record date is fixed for the adjourned or recessed meeting, proper notice of the adjourned or recessed meeting shall be given to each stockholder of record entitled to notice of such adjourned or recessed meeting.

(c) The Board of Directors may, at any time prior to the holding of a meeting of stockholders, and for any reason, cancel, postpone or reschedule such meeting upon public notice given prior to the time previously scheduled for such meeting of stockholders. The meeting may be postponed or rescheduled to such time and place as is specified in the notice of postponement or rescheduling of such meeting.

**Voting.**

(a) Unless otherwise provided in the Certificate of Incorporation and subject to Delaware Corporation Law, each stockholder shall be entitled to one vote for each share of capital stock of the Corporation entitled to vote held by such stockholder. Any share of capital stock of the Corporation held by the Corporation shall have no voting rights. Unless otherwise provided in the Certificate of Incorporation and subject to the Delaware Corporation Law, in all

matters other than the election of directors, the affirmative vote of the majority of the votes cast at a meeting at which a quorum is present and entitled to vote generally on the subject matter shall be the act of the stockholders. Unless otherwise provided in the Certificate of Incorporation and subject to the Delaware Corporation Law and the rights of the holders of any series of preferred stock to elect additional directors under specific circumstances, directors shall be elected by a plurality of the votes of the shares of capital stock of the Corporation present in person, by remote communication, if applicable, or represented by proxy at the meeting at which a quorum is present and entitled to vote on the election of directors. There shall be no cumulative voting in the election of directors.

(b) Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to a corporate action in writing or by electronic transmission without a meeting may authorize another person or persons to act for such stockholder by proxy, appointed by an instrument in writing, subscribed by such stockholder or by his attorney thereunto authorized, or by proxy sent by cable, telegram or by any means of electronic communication permitted by law, which results in a writing or electronic transmission from such stockholder or by his attorney, and delivered to the secretary of the meeting. No proxy shall be voted after three (3) years from its date, unless said proxy provides for a longer period.

(c) Votes may be cast by any stockholder entitled to vote in person, by remote communication, if applicable, or by his proxy. In determining the number of votes cast for or against a proposal or nominee, shares abstaining from voting on a matter (including elections) will not be treated as a vote cast.

Section 2.08      **Action by Consent.**

(a) Unless otherwise provided in the Certificate of Incorporation, any action permitted or required to be taken at any annual or special meeting of stockholders, by law, the Certificate of Incorporation or these Bylaws, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing or by electronic transmission, setting forth the action so taken, shall be signed by all stockholders entitled to vote for the taking of such action and shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing or by electronic transmission and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take the action were delivered to the Corporation as provided in Section 228 of the Delaware Corporation Law.

(b) Every written consent or electronic transmission shall bear the date of signature of each stockholder who signs the consent, and no written consent or electronic transmission shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered in the manner required by this Section 2.08 and the Delaware Corporation Law to the Corporation, written consents or electronic transmissions

signed by a sufficient number of holders to take action are delivered to the Corporation in the manner required by this Section 2.08 and the Delaware Corporation Law.

(c) A telegram, cablegram or any other electronic transmission consent to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this Section 2.08, provided that any such telegram, cablegram or other electronic transmission sets forth or is delivered with information from which the Corporation can determine (i) that the telegram, cablegram or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram or electronic transmission. The date on which such telegram, cablegram or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by telegram, cablegram or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. Notwithstanding the foregoing limitations on delivery, consents given by telegram, cablegram or other electronic transmission may be otherwise delivered to the principal place of business of the Corporation or to an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded if, to the extent and in the manner provided by resolution of the Board of Directors of the Corporation. Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original in writing.

Section 2.09      **Organization.**

(a) At each meeting of stockholders, the chairman of the board, if one shall have been elected, or in the chairman's absence or if one shall not have been elected, the director or officer designated by the vote of the majority of the directors present at such meeting, shall act as chairman of the meeting. The secretary of the corporation (or in the corporate secretary's absence or inability to act, the person whom the chairman of the meeting shall appoint secretary of the meeting) shall act as secretary of the meeting and keep the minutes thereof.

(b) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the chairman of the meeting. The board of directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the board of directors, the chairman of the meeting may prescribe such rules, regulations and procedures and do all such acts as, in the judgment of such chairman of the meeting, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the board of directors or prescribed by the chairman of the meeting, may include, without limitation, the following:

(i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; (v) restrictions on the use of audio or video recording devices at the meeting and (vi) limitations on the time allotted to questions or comments by participants. The chairman of the meeting at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if the chairman of the meeting should so determine, the chairman of the meeting shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the board of directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 2.10      **Order of Business.** The order of business at all meetings of stockholders shall be as determined by the chairman of the meeting.

Section 2.11      **Fixing the Record Date.**

(a)            In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment, recess or postponement thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a record date for notice of any meeting of stockholders, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment, recess or postponement provided that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned, recessed or postponed meeting and in such case shall also fix as the record date for determining stockholders entitled to notice of such meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at such adjourned, recessed or postponed meeting in accordance with the foregoing provisions of this Section 2.11(a).

(b)            In order that the Corporation may determine the stockholders entitled to consent to corporate action, in writing or by electronic transmission, without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted

by the Board of Directors. If no record date has been fixed by the Board of Directors pursuant to this Section 2.11(b), the record date for determining stockholders entitled to consent to corporate action, in writing or by electronic transmission, without a meeting, when no prior action by the Board of Directors is required by the Delaware Corporation Law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by the Delaware Corporation Law, the record date for determining stockholders entitled to consent to corporate action, in writing or by electronic transmission, without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 2.12 **Stock List.** A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in the name of such stockholder, shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The stock list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present

Section 2.13 **Eligible Nominees for Director Elections.** To be eligible to be a nominee for election or reelection as a director of the Corporation, a proposed nominee must deliver (in accordance with the time periods prescribed for delivery of notice under Section 2.05 of these Bylaws and applicable law) to the secretary of the Corporation at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the secretary of the Corporation upon written request) and a written representation and agreement (in the form provided by the secretary of the Corporation upon written request) that such person (a) is not and will not become a party to (i) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "**Voting Commitment**")

that has not been disclosed to the Corporation or (ii) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director of the Corporation that has not been disclosed to the Corporation, and (c) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and other guidelines of the Corporation.

### **ARTICLE 3 BOARD OF DIRECTORS**

Section 3.01        **General Powers.** Except as otherwise provided in the Delaware Corporation Law or the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 3.02        **Number, Election, Classes, Term of Office.**

(a)                The Board of Directors shall consist of not less than one (1) nor more than fifteen (15) directors, with the exact number of directors to be determined from time to time solely by resolution adopted by the affirmative vote of a majority of the entire Board of Directors. Directors need not be stockholders.

(b)                Except as otherwise provided in the Certificate of Incorporation and subject to the terms of any series of preferred stock entitled to separately elect directors, all of the directors will be elected annually at the annual meeting of stockholders to serve until the next annual meeting of stockholders. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided for in these Bylaws, unless otherwise provided in the Certificate of Incorporation.

(c)                Each director shall hold office until such director's successor shall have been duly elected and qualified or until such director's earlier death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3.03        **Quorum and Manner of Acting.** Unless the Certificate of Incorporation or these Bylaws require a greater number, a majority of the total number of directors shall constitute a quorum for the transaction of business, and the affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. When a meeting is adjourned or recessed to another time or place (whether or not a quorum is present), notice need not be given of the adjourned or recessed meeting if the time and place thereof are announced at the meeting at which the adjournment or recess is taken. At the adjourned or recessed meeting, the Board of Directors may transact any business which might

have been transacted at the original meeting. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat shall adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 3.04 **Time and Place of Meetings.** The Board of Directors shall hold its meetings at such place, either within or without the State of Delaware, and at such time as may be determined from time to time by the Board of Directors (or the chairman in the absence of a determination by the Board of Directors).

Section 3.05 **Annual Meeting.** The Board of Directors shall meet at least annually and may meet more frequently as needed. Notice of such meeting need not be given. In the event such annual meeting is not held on the same day and at the same place as the annual meeting of stockholders, the annual meeting of the Board of Directors may be held at such place either within or without the State of Delaware, on such date and at such time as shall be specified in a notice thereof given as hereinafter provided in Section 3.07 or in a waiver of notice thereof signed by any director who chooses to waive the requirement of notice.

Section 3.06 **Regular Meetings.** After the place and time of regular meetings of the Board of Directors shall have been determined and notice thereof shall have been once given to each member of the Board of Directors, regular meetings may be held without further notice being given.

Section 3.07 **Special Meetings.** Special meetings of the Board of Directors may be called by the chairman of the board or the chief executive officer and shall be called by the secretary of the Corporation on the written request of at least two directors. Notice of special meetings of the Board of Directors shall be given to each director at least twenty-four (24) hours before the date of the meeting in such manner as is determined by the Board of Directors.

Section 3.08 **Committees.**

(a) The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware Corporation Law to be submitted to the stockholders for approval or (ii) adopting, amending or repealing any bylaw of the Corporation. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

(b) Unless otherwise provided in the Certificate of Incorporation, these Bylaws or the resolution of the Board of Directors designating the committee, a committee may create one or more subcommittees consisting of one or more members of such committee and delegate to such subcommittee any or all of the powers and authority of the committee.

(c) Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules, each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to this Article 3.

Section 3.09 **Action by Consent.** Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions, are filed with the minutes of proceedings of the board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 3.10 **Telephonic Meetings.** Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or such committee, as the case may be, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 3.11 **Resignation.** Any director may resign at any time by giving notice in writing or by electronic transmission to the Board of Directors or to the secretary of the Corporation. The resignation of any director shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.12 **Vacancies.** Unless otherwise provided in the Certificate of Incorporation, vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled solely by a majority of the directors then in office (although less than a quorum) or by the sole remaining director. Subject to the terms of any series of preferred stock entitled to separately elect directors, whenever the holders of any class of stock or series thereof are entitled to elect one or more directors pursuant to the terms of such class or series, vacancies and newly created directorships of such class or series may be filled by a majority of directors elected by such class or series thereof then in office, or by a sole remaining director so elected. If there is no director in office elected by such class or series, then an election of directors may be held in accordance with Delaware Corporation Law. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in the filling of other vacancies.

Section 3.13 **Action by Written Consent.** Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee thereof in accordance with applicable law.

Section 3.14 **Meeting Attendance via Remote Communication Equipment.** Unless otherwise restricted by applicable law, the certificate of incorporation or these bylaws, members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or any committee thereof, as the case may be, by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting constitutes presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened.

Section 3.15 **Compensation.** Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have authority to fix the compensation of directors, including fees and reimbursement of expenses.

Section 3.16 **Confidentiality.** Each director shall hold all Confidential Information (as defined below) in the strictest confidence and shall take all appropriate measures to ensure that no other person shall have access to the Confidential Information. No director shall disclose any Confidential Information to any person outside the Company, either during or after his or her service as a director, except with authorization of the Board of Directors or as may be required by law. For the avoidance of doubt, the foregoing shall also apply to any director who serves on the Board of Directors as the designee of a stockholder of the Company, and such director shall not disclose any Confidential Information to such stockholder or any of its officers, directors, managers, members, partners employees, attorneys, accountants, advisors, agents, consultants or other representatives. “**Confidential Information**” shall mean all non-public information (whether or not material to the Company) entrusted to or obtained by a director by reason of his or her position as a director of the Company.

#### **ARTICLE 4 OFFICERS**

Section 4.01 **Principal Officers.** The principal officers of the Corporation shall be a chief executive officer, a chief financial officer, one or more executive vice presidents, a corporate secretary and such other offices or positions as the Board shall determine who shall have the duty, among other things, to record the proceedings of the meetings of stockholders and directors in a book kept for that purpose. Subject to Section 3.01, the chief executive officer shall conduct and direct generally all the day-to-day business and affairs of the Corporation. The Corporation may also have such other principal officers as the Board of Directors may in its discretion appoint. One person may hold the offices and perform the duties of any two or more of said offices, except that no one person shall hold the offices and perform the duties of chief executive officer and corporate secretary.

Section 4.02 **Election, Term of Office and Remuneration.** Each such officer shall hold office until his or her successor is elected and qualified, unless removed sooner as provided for herein, or until his or her earlier death, resignation or removal. The remuneration of all principal officers of the Corporation shall be fixed by the Board of Directors, or a committee thereof, or, if such power is expressly delegated to any officers of the Corporation, by such officers. Any vacancy in any office shall be filled in such manner as the Board of Directors shall determine.

Section 4.03 **Subordinate Officers.** In addition to the principal officers enumerated in Section 4.01, the Corporation may have one or more assistant secretaries and such other subordinate officers, agents and employees as the Board of Directors may deem necessary, each of whom shall hold office for such period as the Board of Directors may from time to time determine. The Board of Directors hereby delegates to the chief executive officer the power to appoint, fix the compensation of and remove any such subordinate officers, agents or employees.

Section 4.04 **Removal.** In addition to the authority granted pursuant to Section 4.03 with respect to subordinate officers, any officer may be removed, with or without cause, at any time, by resolution adopted by the Board of Directors.

Section 4.05 **Resignations.** Any officer may resign at any time by giving written notice to the Board of Directors (or to a principal officer if the Board of Directors has delegated to such principal officer the power to appoint and remove such officer). The resignation of any officer shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.06 **Powers and Duties.** The officers of the Corporation shall have such powers and perform such duties incident to each of their respective offices and such other duties as may from time to time be conferred upon or assigned to them by the Board of Directors.

## ARTICLE 5 CAPITAL STOCK

Section 5.01 **Uncertificated Shares.** The shares of the Corporation may be certificated or uncertificated. If shares are certificated, the Corporation shall cause to be issued to the holder of such shares one or more certificates in such form, not inconsistent with that required by law and the certificate of incorporation, as shall be approved by the Board of Directors. Each such certificate shall be signed in accordance with Section 5.02 hereof and shall specify the number of shares (and, if the stock of the Corporation shall be divided into classes or series, the class and series of such shares) represented by such certificate.

Section 5.02 **Multiple Classes of Stock.** If the Corporation is authorized to issue more than one class of stock or more than one series of any class, the Corporation shall (a) cause the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights to be set forth in full or summarized on the face or back of any certificate that the Corporation issues to represent shares of such class or series of stock or (b) in the case of

uncertificated shares, within a reasonable time after the issuance or transfer of such shares, send to the registered owner thereof a written notice containing the information required to be set forth on certificates as specified in clause (a) above; *provided, however*, that, except as otherwise provided by applicable law, in lieu of the foregoing requirements, there may be set forth on the face or back of such certificate or, in the case of uncertificated shares, on such written notice a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

Section 5.03        **Signatures.** Each certificate representing capital stock of the Corporation shall be signed by or in the name of the Corporation by (a) the Chairman of the Board, the President or a Vice President and (b) the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary. Any or all of the signatures on the certificate may be a facsimile or by other means of electronic reproduction. In case any officer, transfer agent or registrar who has signed or whose facsimile signature or an electronic reproduction thereof has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar on the date of issue.

Section 5.04        **Transfer of Shares.** Shares of the stock of the Corporation may be transferred on the record of stockholders of the Corporation by the holder thereof or by such holder's duly authorized attorney upon surrender of a certificate therefor properly endorsed or upon receipt of proper transfer instructions from the registered holder of uncertificated shares or by such holder's duly authorized attorney and upon compliance with appropriate procedures for transferring shares in uncertificated form, unless waived by the Corporation.

Section 5.05        **Authority for Additional Rules Regarding Transfer.** The Board of Directors shall have the power and authority to make all such rules and regulations, not inconsistent with these Bylaws or the Certificate of Incorporation, as they may deem expedient concerning the issue, transfer and registration of certificated or uncertificated shares of the stock of the Corporation, as well as for the issuance of new certificates in lieu of those which may be lost or destroyed, and may require of any stockholder requesting replacement of lost or destroyed certificates, bond in such amount and in such form as they may deem expedient to indemnify the Corporation and the transfer agents and registrars of its stock against any claims arising in connection therewith.

Section 5.06        **Registered Stockholders.** The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the Delaware Corporation Law.

**ARTICLE 6**  
**GENERAL PROVISIONS**

Section 6.01        **Dividends.** Subject to limitations contained in the Delaware Corporation Law and the Certificate of Incorporation, if any, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, in property or in shares of the capital stock of the Corporation.

Section 6.02        **Year.** The fiscal year of the Corporation shall commence on January 1 and end on December 31 of each year.

Section 6.03        **Corporate Seal.** The Board of Directors may adopt a corporate seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

Section 6.04        **Voting of Stock Owned by the Corporation.** The Board of Directors may authorize any person, on behalf of the Corporation, to attend, vote at and grant proxies to be used at any meeting of stockholders of any Corporation (except this Corporation) in which the Corporation may hold stock.

Section 6.05        **Means of Giving Notice.**

(a)        **Notice to Directors.** Whenever under applicable law, the Certificate of Incorporation or these Bylaws notice is required to be given to any director, such notice shall be given either (1) in writing and sent by hand delivery, through the United States mail, or by a nationally recognized overnight delivery service for next day delivery, (2) by means of facsimile telecommunication or other form of electronic transmission, or (3) by oral notice given personally or by telephone. A notice to a director will be deemed given as follows: (1) if given by hand delivery, orally or by telephone, when actually received by the director; (2) if sent through the United States mail, at 5:00 p.m. Central Time on the fourth business day after deposited in the United States mail, with postage and fees thereon prepaid, addressed to the director at the director's address appearing on the records of the Corporation; (3) if sent for next day delivery by a nationally recognized overnight delivery service, at 5:00 p.m. Central Time on the first business day after deposited with such service, with fees thereon prepaid, addressed to the director at the director's address appearing on the records of the Corporation; (4) if sent by facsimile telecommunication, when sent to the facsimile transmission number for such director appearing on the records of the Corporation; (5) if sent by electronic mail, when sent to the electronic mail address for such director appearing on the records of the Corporation; or (6) if sent by any other form of electronic transmission, when sent to the address, location or number (as applicable) for such director appearing on the records of the Corporation.

(b)        **Notice to Stockholders.** Whenever stockholders are required or permitted to take any action at a meeting, a notice of the meeting shall be given. Such notice shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such

date is different from the record date for stockholders entitled to notice of the meeting) and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the Certificate of Incorporation or these Bylaws, the notice of any meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at the meeting as of the record date for determining the stockholders entitled to notice of the meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his, her or its address as it appears on the records of the Corporation.

(c) **Electronic Transmission.** “**Electronic transmission**” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process, including but not limited to transmission by facsimile telecommunication and electronic mail.

(d) **Notice to Stockholders Sharing Same Address.** Without limiting the manner by which notice otherwise may be given effectively by the Corporation to stockholders, any notice to stockholders given by the Corporation under any provision of the Delaware Corporation Law, the Certificate of Incorporation or these Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. A stockholder may revoke such stockholder’s consent by delivering written notice of such revocation to the Corporation. Any stockholder who fails to object in writing to the Corporation within sixty (60) days of having been given written notice by the Corporation of its intention to send such a single written notice shall be deemed to have consented to receiving such single written notice.

(e) **Exceptions to Notice Requirements.** Whenever notice is required to be given by the Corporation, under any provision of the Delaware Corporation Law, the Certificate of Incorporation or these Bylaws, to any stockholder to whom (1) notice of two consecutive annual meetings of stockholders and all notices of stockholder meetings or of the taking of action by written consent of stockholders without a meeting to such stockholder during the period between such two consecutive annual meetings, or (2) all, and at least two payments (if sent by first-class mail) of dividends or interest on securities during a 12-month period, have been mailed addressed to such stockholder at such stockholder’s address as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such stockholder is not required. Any action or meeting that is taken or held without notice to such stockholder has the same force and effect as if such notice had been duly given. If any such stockholder delivers to the Corporation a written notice setting forth such stockholder’s then current address, the requirement that notice be given to such stockholder shall be reinstated. If the action taken by the Corporation is such as to require the filing of a certificate with the Secretary of State of Delaware, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to Section 230(b) of the Delaware Corporation Law. The exception in subsection (1) of the first sentence of this paragraph to the requirement that notice be given is not applicable to any notice returned as undeliverable if the notice was given by electronic transmission.

Section 6.06       **Severability.** Whenever possible, each provision or portion of any provision of these Bylaws will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of these bylaws is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such provision or portion of any provision shall be severable and the invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and these bylaws will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 6.07       **Forum for Adjudication of Disputes.** To the fullest extent permitted by law, and unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for: (i) any derivative action or proceeding brought in the name or right of the Corporation or on its behalf, (ii) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee, stockholder or other agent of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action arising or asserting a claim arising pursuant to any provision of the General Corporation Law of Delaware or any provision of the Certificate of Incorporation or these Bylaws or as to which the General Corporation Law of Delaware confers jurisdiction on the Court of Chancery of the State of Delaware or (iv) any action asserting a claim governed by the internal affairs doctrine, including, without limitation, any action to interpret, apply, enforce or determine the validity of the Certificate of Incorporation or these Bylaws. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 6.07.

## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002

I, J. Russell Porter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gastar Exploration Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ J. RUSSELL PORTER  
J. Russell Porter  
Principal Executive Officer

## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002

I, Michael A. Gerlich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gastar Exploration Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ MICHAEL A. GERLICH  
Michael A. Gerlich  
Principal Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER**

**PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, J. Russell Porter, Principal Executive Officer, and I, Michael A. Gerlich, Principal Financial Officer, of Gastar Exploration Inc. (the "Company"), hereby certify that the accompanying Quarterly Report on Form 10-Q for the period ended September 30, 2015 (the "Report"), filed by the Company with the Securities and Exchange Commission on the date hereof complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended.

I further certify that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2015

/S/ J. RUSSELL PORTER

J. Russell Porter  
Principal Executive Officer

/S/ MICHAEL A. GERLICH

Michael A. Gerlich  
Principal Financial Officer

