CARRIZO OIL & GAS INC
Form 424B5
May 21, 2008

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the attached prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 21, 2008

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated May 21, 2008)

Filed pursuant to Rule 424(b)(5)
Registration No. 333-142346

Carrizo Oil & Gas, Inc.

$275,000,000
% Convertible Senior Notes due 2028

We are offering $275,000,000 principal amount of % Convertible Senior Notes due 2028 (the notes). The notes will be our unsecured obligations and will rank equally with all of our future unsecured senior debt. The notes will not initially be guaranteed by our subsidiaries.

We will pay cash interest on the notes at an annual rate of %. Interest on the notes is payable on June 1 and December 1 of each year, beginning December 1, 2008.

The notes will mature on June 1, 2028. We may redeem some or all of the notes for cash on or after June 1, 2013 at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date.

Holders of the notes will have the right to require us to repurchase their notes on June 1, 2013, 2018 and 2023, or upon a fundamental change, in each case as further described in this prospectus supplement, at a repurchase price in cash equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the repurchase date.

The notes will be convertible in certain circumstances into cash and, if applicable, a number of shares of our common stock determined as described in this prospectus supplement. The initial conversion rate of the notes is , equivalent to a conversion price per common share of approximately $. These initial conversion rates are subject to adjustment upon the occurrence of certain corporate events but not for accrued interest. In addition, if certain fundamental changes occur on or before June 1, 2013, we will in some cases increase the conversion rate for a holder electing to convert notes in connection with such fundamental change.

Holders may convert their notes only under the following circumstances: (1) during any calendar quarter after June 30, 2008 if the last reported sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 130% of the conversion price, (2) during the five business days after any five consecutive trading day period on which the trading price per $1,000 principal amount of the notes is equal to or less than 97% of the conversion value of such notes on each such day as described herein, (3) during specified periods if specified distributions to holders of our common stock are made or specified corporate transactions occur, (4) prior to the close of business on the business day preceding the redemption date if the notes are called for redemption or (5) on or after March 31, 2028 and prior to the close of business on the business day prior to the stated maturity of the notes. Upon conversion, we will deliver, in lieu of shares of our common stock, cash up to the aggregate principal amount of notes to be converted and shares of our common stock in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted.

Our common stock is listed on the Nasdaq Global Select Market under the symbol CRZO. The last reported sale price of our common stock on May 20, 2008 was $74.54 per share.

We do not intend to apply to list the notes on any securities exchange or include them in any automated quotation system.

Investing in the notes involves risks. See Risk Factors beginning on page S-6 of this prospectus supplement and on page 2 of the accompanying prospectus.

	Per Note	Total
Price to Public	%	$
Underwriting Discount	%	$
Proceeds to Company	%	$

We expect that delivery of the notes will be made in book entry form on , 2008. The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from , 2008 and must be paid by the purchasers if the notes are delivered after , 2008.

The underwriters have a 30-day option to purchase a maximum of $41,250,000 additional principal amount of the notes.

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

Joint Bookrunners

Credit Suisse **RBC Capital Markets**

JPMorgan **UBS Investment Bank**

, 2008.

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Prospectus Supplement

Prospectus

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of our common stock. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common stock. If the information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. We refer to the prospectus supplement and the accompanying prospectus, taken together, as the prospectus.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is current only as of its date.

You should rely only on the information contained or incorporated by reference in this prospectus or in any free writing prospectus made available by us. We have not authorized any other person to provide you with different information. If anyone provides you with different information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume the information appearing in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the cover of this prospectus supplement or the accompanying prospectus and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since that date.

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FORWARD-LOOKING STATEMENTS

This prospectus, including the attachments and the documents incorporated by reference herein, contains statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements regarding:

- our growth strategies;
- our ability to explore for and develop natural gas and oil resources successfully and economically;
- our estimates of the timing and number of wells we expect to drill and other exploration activities;
- anticipated trends in our business;
- our future results of operations;
- our liquidity and our ability to finance our exploration and development activities;
- our capital expenditure program;
- future market conditions in the oil and gas industry;
- use of proceeds;
- changes to our credit facility borrowing base;
- our ability to make and integrate acquisitions; and
- the impact of governmental regulation.

You generally can identify our forward-looking statements by the words anticipate, believe, budgeted, continue, could, estimate, expect, forecast, goal, intend, may, objective, plan, potential, predict, projec other similar words. Such statements involve risks and uncertainties, including, but not limited to, those relating to our dependence on our exploratory drilling activities, the volatility of oil and natural gas prices, the need to replace reserves depleted by production, operating risks of oil and natural gas operations, our dependence on our key personnel, factors that affect our ability to manage our growth and achieve our business strategy, risks relating to our limited operating history in certain geographic areas, technological changes, our significant capital requirements, the potential impact of government regulations, litigation, competition, the uncertainty of reserve information and future net revenue estimates, property acquisition risks, availability of equipment, weather, availability of financing, ability to obtain permits, the results of audits and assessments, satisfaction of closing conditions, actions by our lenders and other factors detailed in this prospectus and in our filings with the SEC.

We have based our forward-looking statements on our management s beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results.

Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

Some of the factors that could cause actual results to differ from those expressed or implied in forward-looking statements are described under Risk Factors and in other sections of this prospectus supplement and the accompanying prospectus and described under Risk Factors and elsewhere in the documents that we incorporate by reference into this prospectus supplement and the accompanying prospectus, including our annual report on Form 10-K for the fiscal year ended December 31, 2007 and in our other reports filed with the SEC. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on our forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and, except as required by law, we undertake no duty to update any forward-looking statement.

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PROSPECTUS SUMMARY

This summary highlights selected information about us but does not contain all the information that may be important to you. This prospectus includes specific terms of the offering and information about our business and financial data. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the matters set forth under the caption Risk Factors, and the information incorporated by reference in this prospectus before making an investment decision.

In this prospectus supplement and the accompanying prospectus, references to Carrizo, the Company, we and us refer to Carrizo Oil & Gas, Inc. and its subsidiaries, except when used in Description of the Notes and The Offering or unless the context requires otherwise. When we use these terms in Description of the Notes and The Offering, we mean Carrizo Oil & Gas, Inc. only, unless we indicate or the context requires otherwise.

Carrizo Oil & Gas, Inc.

We are an independent energy company engaged in the exploration, development and production of natural gas and oil. Our current operations are focused in proven, producing natural gas and oil geologic trends in the Barnett Shale area in North Texas and along the onshore Gulf Coast area in Texas and Louisiana, primarily in the Miocene, Wilcox, Frio and Vicksburg trends. Our other interests include properties in the U.K. North Sea, East Texas and acreage in shale plays in the Barnett/Woodford in West Texas/New Mexico, the Floyd/Neal in Mississippi, the Fayetteville in Arkansas, the western New Albany in Kentucky/Illinois and the Marcellus Shale in Pennsylvania/New York/West Virginia and the Gulf of Mexico. We also have a coalbed methane investment in the Rocky Mountains through our ownership of common stock of Pinnacle Gas Resources, Inc. (Nasdaq National Market: PINN) and through direct operations.

Our executive offices are located at 1000 Louisiana, Suite 1500, Houston, Texas 77002, and our telephone number is (713) 328-1000.

Recent Developments

Our Board of Directors has approved an increase in our capital budget from $300 million to $420 million if we successfully complete this offering.

The increase in our capital budget will principally be allocated to three areas:

- acquisition of additional acreage in the Barnett Shale, primarily in southeast Tarrant County;
- increased drilling in the Barnett Shale area of the Fort Worth Basin; and
- acquisition of additional acreage in the Marcellus Shale in Pennsylvania and New York, where we have recently expanded our acreage position to approximately 32,000 net acres.

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THE OFFERING

Issuer	Carrizo Oil & Gas, Inc.
Notes Offered	$275,000,000 aggregate principal amount of % convertible senior notes due 2028. We have also granted the underwriters an option to purchase up to $41,250,000 aggregate principal amount of notes within the 30-day period commencing on and including the date of this prospectus supplement.
Issue Price	% of the principal amount of the notes, plus accrued interest, if any.
Maturity Date	June 1, 2028
Ranking	The notes will rank equally with all of our existing and future unsecured, unsubordinated debt and senior to any future subordinated debt. The notes will be effectively subordinated to all of our secured debt (including under our credit facility) and existing and future indebtedness of our subsidiaries unless they become guarantors as provided below.
Subsidiary Guarantees	The notes will not initially be guaranteed by any of our subsidiaries; however, any subsidiary that, in the future, guarantees certain of our debt securities will be required to guarantee the notes on a similar basis.
Interest Payment Dates	June 1 and December 1 of each year, beginning December 1, 2008.
Conversion Rights	Holders may convert their notes at the applicable conversion rate for cash, and, if applicable, common stock, as described below under Conversion Settlement, if any of the following conditions is satisfied: during any calendar quarter commencing after June 30, 2008, and only during such calendar quarter, if for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter, the last reported sale price of our common stock is more than 130% of the conversion price for the notes on the last trading day of such preceding calendar quarter; prior to the stated maturity, during the five consecutive business-day period following any five consecutive trading-day period on which the trading price per $1,000 principal amount of notes is equal to or less than 97% of the conversion value of the notes on each such day; during specified periods upon the occurrence of specified distributions to holders of our common stock or specified corporate transactions described under Description of the Notes Conversion Events Conversion Upon Occurrence of Specified Corporate Transactions ; if the notes have been called for redemption, at any time prior to the close of business on the business day immediately preceding the redemption

date; or

at any time on or after March 31, 2028 until the close of business on the business day prior to the stated maturity of the notes.

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Conversion Rate	Initially, the conversion rate will be , subject to adjustment as described below.
Conversion Settlement	For each $1,000 principal amount of notes surrendered for conversion, we will deliver cash and shares of common stock, if any, equal to the sum of the daily settlement amounts, as defined below, for each of the 20 trading days during the related conversion period (as defined in Description of the Notes Conversion Rights Settlement Upon Conversion). The daily settlement amount, for each of the 20 trading days during the conversion period consists of: an amount in cash equal to the lesser of $50.00 and the daily conversion value relating to such day; and to the extent such daily conversion value exceeds $50.00, the daily share amount (as defined in Description of the Notes Conversion Rights Settlement Upon Conversion) for such day. The daily conversion value means, for each trading day, the amount equal to one-twentieth of the product of (A) the VWAP price (as defined herein) per common share for such day and (B) the conversion rate. Upon conversion of the notes, no holder will be entitled to any actual payment or adjustment on account of accrued and unpaid interest, if any (unless such conversion occurs between a regular record date and the interest payment date to which it relates, in which case the holder must pay us an amount equal to the interest payment, subject to specified exceptions).
Adjustments to Conversion Rate	We will adjust the conversion rate of the notes in the following circumstances: If you elect to convert your notes in connection with a corporate transaction that constitutes a fundamental change, we will increase the conversion rate by a number of shares of common stock if such transaction occurs on or before June 1, 2013. Conversion in connection with a corporate transaction means any conversion in respect of which the conversion notice is delivered at any time during the period from and including the effective date of the corporate transaction (or, in the case of certain transactions, the day that is 15 days prior to the anticipated effective date of such transaction) until, and including, the later of (1) the close of business on the business day immediately preceding the fundamental change repurchase date and (2) 30 days after the effective date of the transaction. We will also adjust the conversion rate under certain circumstances described below under Description of the Notes Conversion Rights

	Conversion Rate Adjustments, including upon the payment of cash dividends or distributions of certain other rights to holders of our common stock.
Redemption of the Notes at Our Option	We may redeem the notes, in whole or in part, for cash at any time on or after June 1, 2013, at a redemption price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest,

	if any, up to but not including the date of redemption. See Description of the Notes Redemption of Notes at Our Option.
Repurchase of the Notes at the Option of the Holder	Holders of the notes will have the right to require us to repurchase all or a portion of their notes on each of June 1, 2013, 2018 and 2023, or upon a fundamental change, as described in this prospectus supplement. In each case, the notes will be repurchased at a price in cash equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the repurchase date. See Description of the Notes Purchase of Notes by Us at the Option of the Holder and Fundamental Change Requires Us to Repurchase Notes at the Option of the Holder.
Use of Proceeds	We intend to use the estimated $268.8 million of net proceeds (or approximately $309.1 million if the underwriters exercise their option to purchase additional notes in full) from this offering to repay in full the outstanding borrowings under our second lien credit facility, including loans made by affiliates of the underwriters, and to fund, in part, our capital expenditure program for 2008, including our drilling and land acquisition programs in the Barnett Shale, Marcellus Shale and elsewhere, and for other corporate purposes. Pending the partial funding of our capital expenditure program, we intend to use the remaining net proceeds to repay borrowings under our revolving credit facility, including loans made by affiliates of certain of the underwriters.
Global Notes	The notes will be evidenced by one or more global notes deposited with the trustee as custodian for The Depository Trust Company (DTC). The global notes will be registered in the name of Cede & Co., as DTC s nominee.
Material U.S. Federal Income and Estate Tax Considerations	You should consult your tax advisor with respect to the U.S. federal income tax consequences of owning the notes and the common stock into which the notes may be converted in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction. See Material U.S. Federal Income and Estate Tax Considerations.
Risk Factors	We urge you to consider carefully the risks described under Risk Factors beginning on page S-6 in this prospectus supplement and on page 2 of the accompanying prospectus and under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007, which are included or incorporated by reference in this prospectus supplement or the accompanying prospectus, before making an investment decision.
No Listing of the Notes	We do not intend to apply to list the notes on any securities exchange or include them in any automated quotation system. Our common stock is listed for trading on the Nasdaq Global Select Market under the ticker symbol CRZO.

RISK FACTORS

You should consider carefully the risks discussed below as well as those described under Risk Factors in the accompanying prospectus and in our annual report on Form 10-K for the year ended December 31, 2007 and in our other filings with the SEC before making a decision whether to invest in our common stock. Additional risks and uncertainties described elsewhere in this prospectus or in the documents incorporated by reference in this prospectus may also adversely affect our business, operating results, financial condition and prospects, as well as the value of an investment in our common stock.

Risks Related to the Notes

Our corporate structure results in structural subordination and may affect our ability to make payments on the notes.

The notes are obligations exclusively of Carrizo Oil & Gas, Inc., and our existing and future subsidiaries will not initially guarantee the notes. A substantial portion of our operations is conducted through our subsidiaries. As a result, our cash flow and our ability to service our debt, including the notes, depends on the earnings of our subsidiaries and on the distribution of earnings, loans or other payments by our subsidiaries to us. Contractual provisions or laws, as well as our subsidiaries financial condition and operating requirements, may limit our ability to obtain from our subsidiaries the cash we need to pay our debt service obligations, including payments on the notes. In addition, because none of our subsidiaries will initially guarantee the notes, holders of the notes will have a junior position to the claims of creditors and securityholders of our subsidiaries on their assets and earnings.

We may not have the funds necessary to finance a repurchase required by the indenture in the event of a fundamental change or at the option of a holder of notes.

Upon the occurrence of specific fundamental change events and on specified repurchase dates, holders of notes will have the right to require us to repurchase their notes in cash. However, it is possible that we will not have sufficient funds at such time to make the required repurchase of notes or that restrictions in our credit agreements or other indebtedness will not allow such repurchases. Our failure to purchase all validly tendered notes would constitute an event of default under the indenture under which the notes are issued and may also constitute a cross-default on other indebtedness existing at that time. See Description of the Notes Purchase of Notes by Us at the Option of the Holder and Fundamental Change Requires Us to Repurchase Notes at the Option of the Holder.

The conditional conversion feature of the notes may prevent the conversion of notes prior to March 31, 2028.

Holders may, at their option, convert their notes if certain conditions are satisfied, including if the last reported sale price of our common stock reaches a specified threshold over a specified time period, if the trading price of the notes is below a specified threshold for a specified time period or if certain specified transactions or events occur and then only at prescribed times. See Description of the Notes Conversion Events in this prospectus supplement. If these conditions are not met, holders of notes will not be able to convert their notes prior to March 31, 2028, and therefore may not be able to receive the value of the consideration into which the notes would otherwise be convertible.

The accounting method for convertible debt securities with net share settlement, such as the notes, is the subject of recent changes that could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. APB 14-a, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement). Under this new staff position for convertible debt instruments (such as the notes) that may be settled entirely or partially in cash upon conversion, an entity must separately account for the liability and equity components of the instrument in a manner that reflects the issuer s economic interest cost. The effect of the staff position on the accounting for the notes is that the equity component would be included in

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the paid-in-capital section of shareholders equity on our consolidated balance sheet and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the notes. The staff position is effective for fiscal years beginning after December 15, 2008, and for interim periods within those fiscal years, with retrospective application required. Early adoption is not permitted. As a result, we will be required to record a greater amount of non-cash interest expense in current and prior periods presented as a result of the amortization of the discounted carrying value of the notes to their face amount over the term of the notes. We may report lower net income in our financial results because the staff position will require interest to include both the current period s amortization of the debt discount and the instrument s coupon interest. We are currently evaluating the staff position, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

The make-whole premium that may be payable upon a fundamental change may not adequately compensate you for the lost value of your notes as a result of such fundamental change.

If you convert notes in connection with a fundamental change, we may be required to issue a make-whole premium by increasing the conversion rate applicable to your notes, as described under Description of the Notes Conversion Rights Make-Whole Amount. The increase to the conversion rate for notes converted in connection with a fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction. In addition, if the price of our common stock for purposes of the make-whole premium is greater than $ per share or less than $ per share (in each case, subject to adjustment), no adjustment will be made to the conversion rate. Moreover, in no event will the total number of shares of common stock issuable upon conversion as a result of this adjustment exceed per $1,000 principal amount of notes, subject to adjustments in the same manner as the conversion rates as set forth under Description of the Notes Conversion Rights Conversion Rate Adjustments. In addition, our obligation to deliver the make-whole premium could be subject to general principles of reasonableness of economic remedies, which could in turn affect the enforceability of this obligation.

Because your right to require repurchase of the notes is limited, the market price of the notes may decline if we enter into a transaction that is not a fundamental change under the indenture.

Our obligation to repurchase the notes upon a fundamental change may not preserve the value of the notes because the term fundamental change is limited and may not include every event that might cause the market price of the notes to decline or result in a downgrade of our credit ratings. We may enter into a highly leveraged transaction, reorganization, merger or similar transaction that is not a fundamental change under the indenture. In addition, such transactions could negatively affect the liquidity, value or volatility of our common stock, thereby negatively affecting the value of the notes. See Description of the Notes Fundamental Change Requires Us to Repurchase Notes at the Option of the Holder.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events including, but not limited to, certain dividends or distributions on our common stock, subdivisions or combinations of our common stock, the issuance of certain rights or warrants, certain distributions of capital stock, evidences of debt or other assets to holders of our common stock and certain purchases of common stock in tender or exchange offers as described under Description of the Notes Conversion Rights Conversion Rate Adjustments. The conversion rate will not be adjusted for other events that may adversely affect the trading price of the notes and our common stock. An event that adversely affects the value of the notes may not result in an adjustment to the conversion rate.

A holder of notes will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to our common stock.

If you hold notes, you are not entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock, if

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any), but you are subject to all changes affecting the common stock. You will only be entitled to rights on the common stock if and when we deliver any shares of common stock to you upon conversion of your notes and in limited cases under the adjustments to the conversion rate. For example, in the event that an amendment is proposed to our articles of incorporation or bylaws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of any common stock, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the rights of our common stock. Similarly, the record date for determining the shareholders of record entitled to vote at our 2008 annual meeting of shareholders already has occurred, so you will not be entitled to vote at that meeting even if you convert your notes into common stock prior to the annual meeting date.

Upon conversion of the notes, you may receive less proceeds than expected because the value of our common stock may decline after you exercise your conversion right.

Under the notes, a converting holder will be exposed to fluctuations in the value of our common stock during the period from the date such holder tenders notes for conversion until the date we settle our conversion obligation. Under the notes, the conversion value of your notes will be in part determined by the VWAP price of our common stock for each trading day in a 20-day trading period. As described under Description of the Notes Conversion Rights Settlement Upon Conversion, this period may begin after the date on which your notes are tendered for conversion. Accordingly, the conversion value you receive may be adversely affected by subsequent changes in the trading price of our common stock. Upon conversion of the notes, we will satisfy our conversion obligation with respect to the principal amount of the notes in cash, with any remaining amounts to be satisfied in our common stock. Therefore, holders of the notes may not receive any shares of common stock or may receive fewer shares than the conversion value of the notes.

The market price of our common stock may be volatile or may decline, which could cause the value of your notes to decline.

The notes are convertible based on the VWAP price of our common stock on each trading day in the conversion period, and therefore we expect that the trading price of our common stock will significantly affect the trading price of the notes. The market price of our common stock has historically experienced and continues to experience high volatility, and the broader stock market has experienced significant price and volume fluctuations in recent years. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of our common stock. Any of the following factors could affect the price of our common stock:

- demand for oil and natural gas;
- the success of our drilling program;
- changes in our drilling schedule;
- adjustments to our reserve estimates and differences between actual and estimated production, revenue and expenditures;
- changes in oil and natural gas prices;
- competition from other oil and gas companies;
- governmental regulations and environmental risks;

general market, political and economic conditions;

our failure to meet financial analysts performance expectations;

changes in recommendations by financial analysts; and

changes in market valuations of other companies in our industry.

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The price of our common stock also could be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in our company and by hedging or arbitrage activity that could develop involving our common stock as a result of the issuance of the notes. The hedging or arbitrage could, in turn, affect the trading price of the notes.

Many of the risks described elsewhere in Risk Factors in this prospectus supplement and the accompanying prospectus and in the Risk Factors sections of the documents incorporated by reference into this prospectus supplement also could materially and adversely affect our share price and therefore the trading price of the notes.

The notes are not protected by restrictive covenants.

The indenture provisions applicable to the notes do not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. In light of the absence of any of the foregoing restrictions, we may conduct our businesses in a manner that may cause the market price of the notes and our common stock to decline or otherwise restrict or impair our ability to pay amounts due on the notes.

No market currently exists for the notes, and an active trading market for the notes may not develop.

The notes comprise a new issue of securities for which there is currently no public market. If the notes are traded after their initial issuance, they may trade at a discount from their initial public offering price, depending on prevailing interest rates, the market for similar securities, the price and volatility of our common stock, our performance and other factors. To the extent that an active trading market for the notes does not develop, the liquidity and trading prices for the notes may be harmed. Thus, you may not be able to liquidate your investment rapidly, and your lenders may not readily accept the notes as collateral for loans.

You may have to pay taxes with respect to some distributions on our common stock that result in adjustments to the conversion rate.

The conversion rate of the notes is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. See Description of the Notes Conversion Rights Conversion Rate Adjustments. If the conversion rate is adjusted as a result of a distribution that is taxable to holders of our common stock, such as a cash dividend, you may be required to include an amount in income for U.S. Federal income tax purposes, notwithstanding the fact that you do not actually receive such distribution. If you are a non-U.S. holder (as defined in Material U.S. Federal Income and Estate Tax Considerations), any such deemed dividend would be subject to U.S. federal withholding tax at a 30% rate or such lower rate as may be prescribed by an applicable tax treaty. Any such withholding tax on a deemed dividend may be withheld from interest, shares of common stock or sales proceeds subsequently paid or credited to the non-U.S. holder. See Material U.S. Federal Income and Estate Tax Considerations.

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USE OF PROCEEDS

We estimate that our net proceeds from this offering, after deducting underwriting discounts and commissions but before paying offering expenses, will be approximately $268.8 million (or $309.1 million, assuming full exercise of the underwriters option to purchase additional notes). We expect to use approximately $221.0 million of these proceeds to repay in full all outstanding amounts under our second lien facility, together with associated prepayment penalties. As of May 19, 2008, approximately $219.9 million principal amount was outstanding under our second lien facility. This facility currently bears interest at a weighted average rate of approximately 7.4%, excluding the effect of interest rate swaps, and matures on July 21, 2010. We expect to use the remaining net proceeds, including any proceeds from the exercise of the underwriters option to purchase additional notes, to fund, in part, our increased capital expenditure program for 2008, including our drilling and land acquisition programs in the Barnett Shale, the Marcellus Shale and elsewhere, and for other corporate purposes. Pending the partial funding of our capital expenditure program, we intend to use the remaining net proceeds to repay borrowings under our revolving credit facility that matures on May 25, 2010. As of May 19, 2008, $70.0 million principal amount, bearing interest at a weighted average rate of 4.5%, was outstanding under our revolving credit facility. We originally borrowed this amount to fund our drilling and land acquisition program. Affiliates of certain of the underwriters are lenders under our second lien facility and our revolving credit facility, and, as such, will receive a portion of the proceeds from this offering. See Underwriting.

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CAPITALIZATION

The following table sets forth our unaudited cash and capitalization as of March 31, 2008:

on an actual basis; and

on an as-adjusted basis to give effect to the sale of $275,000,000 principal amount of notes in this offering and the application of the net proceeds as set forth under the heading Use of Proceeds.

You should read this table in conjunction with our consolidated financial statements and related notes and the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2007 and our quarterly report on Form 10-Q (as amended by our report on Form 10-Q/A) for the quarter ended March 31, 2008 that are incorporated by reference in this prospectus supplement.

	Actual	As Adjusted
	(Dollars in millions)	
Cash and cash equivalents	$ 24,769	$ 72,269
Long-term debt(1):		
Senior secured revolving credit facility(2)		
Second lien credit facility	219,938	
% Convertible Senior Notes due 2028 offered hereby		275,000
Total long-term debt	$ 219,938	$ 275,000
Stockholders equity:		
Common stock ($0.01 par value; 40,000,000 shares authorized; 30,620,000 issued and outstanding)	306	306
Additional paid-in capital	381,922	381,922
Retained earnings	60,048	56,231
Accumulated other comprehensive income, net of tax	2,229	2,229
Unearned compensation restricted stock	(5,544)	(5,544)
Total stockholders equity	$ 438,961	$ 435,144
Total capitalization	$ 658,899	$ 710,149

(1) Includes current maturities.

(2) As of May 19, 2008, we had approximately $70.0 million of borrowings outstanding under our revolving credit facility. We intend to use a portion of the net proceeds from the offering to repay a portion of these borrowings.

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RATIO OF EARNINGS TO FIXED CHARGES AND EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table presents our historical ratio of earnings to fixed charges and historical ratio of earnings to combined fixed charges and preferred stock dividends for the three-month period ended March 31, 2008 and for each of the years in the five-year period ended December 31, 2007.

For purposes of this table, earnings consist of income before income taxes, extraordinary items and cumulative effect of accounting changes, plus fixed charges (excluding capitalized interest, but including amortization of amounts previously capitalized). Fixed charges consist of interest (including capitalized interest) on all debt, amortization of debt discounts and expenses incurred on issuance, and an estimate of the interest within rental expense.

	Three Months Ended March 31,	**Year Ended December 31,**				
	2008	**2007**	**2006**	**2005**	**2004**	**2003**
Ratio of Earnings to Fixed Charges	(1)	1.49	1.97	2.11	5.18	4.40
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	(1)	1.49	1.97	2.11		