

HOUSTON EXPLORATION CO
Form SC 13D
January 11, 2007

**UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION**

Washington, D.C. 20549

SCHEDULE 13D
Under the Securities Exchange Act of 1934

(Amendment No.)*

THE HOUSTON EXPLORATION COMPANY

(Name of Issuer)

COMMON STOCK, par value \$0.01 per share

(Title of Class of Securities)

442120101

(CUSIP Number)

Cyrus D. Marter IV

Vice President - General Counsel and Secretary

Forest Oil Corporation

707 17th Street, Suite 3600

Denver, Colorado 80202

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

January 7, 2007

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(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No.

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only)
Forest Oil Corporation
25-0484900
2. Check the Appropriate Box if a Member of a Group (See Instructions)
 - (a) O
 - (b) X*
3. SEC Use Only
4. Source of Funds (See Instructions)
BK (see Item 3 below)
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) O
6. Citizenship or Place of Organization
New York
7. Sole Voting Power
8. Shared Voting Power
4,131,900 *
9. Sole Dispositive Power
10. Shared Dispositive Power
4,131,900 *
11. Aggregate Amount Beneficially Owned by Each Reporting Person
4,131,900 *
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) O
Not applicable
13. Percent of Class Represented by Amount in Row (11)
14.7%**
14. Type of Reporting Person (See Instructions)
CO

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

* Represents the aggregate number of shares of The Houston Exploration Company common stock held by certain stockholders of The Houston Exploration Company who entered into a Voting Agreement dated January 7, 2007 with Forest Oil Corporation and MJCO Corporation obligating such stockholders to vote such shares in favor of the proposed acquisition of The Houston Exploration Company by Forest Oil Corporation and related matters. Forest Oil Corporation expressly disclaims beneficial ownership of any of the shares of The Houston Exploration Company common stock subject to the Voting Agreement.

** Based on 28,098,172 shares of The Houston Exploration Company common stock outstanding as of January 4, 2007, as represented by The Houston Exploration Company in the Merger Agreement discussed in Items 3, 4 and 6

below.

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CUSIP No.

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only)
MJCO Corporation
20-8176856
2. Check the Appropriate Box if a Member of a Group (See Instructions)
 - (a)
 - (b) *
3. SEC Use Only
4. Source of Funds (See Instructions)
BK (see Item 3 below)
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)
6. Citizenship or Place of Organization
Delaware
7. Sole Voting Power
8. Shared Voting Power
4,131,900 *
9. Sole Dispositive Power
10. Shared Dispositive Power
4,131,900 *
11. Aggregate Amount Beneficially Owned by Each Reporting Person
4,131,900 *
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
Not applicable
13. Percent of Class Represented by Amount in Row (11)
14.7%**
14. Type of Reporting Person (See Instructions)
CO

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

* Represents the aggregate number of shares of The Houston Exploration Company common stock held by certain stockholders of The Houston Exploration Company who entered into a Voting Agreement dated January 7, 2007 with Forest Oil Corporation and MJCO Corporation obligating such stockholders to vote such shares in favor of the proposed acquisition of The Houston Exploration Company by Forest Oil Corporation and related matters. MJCO Corporation expressly disclaims beneficial ownership of any of the shares of The Houston Exploration Company common stock subject to the Voting Agreement.

** Based on 28,098,172 shares of The Houston Exploration Company common stock outstanding as of January 4, 2007, as represented by The Houston Exploration Company in the Merger Agreement discussed in Items 3, 4 and 6

below.

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Item 1. Security and Issuer

The class of equity securities to which this Schedule 13D relates is the common stock, par value \$0.01 per share (the Shares), of The Houston Exploration Company, a Delaware corporation (Houston Exploration). The principal executive offices of Houston Exploration are located at 1100 Louisiana Street, Suite 2000, Houston, Texas 77002.

Item 2. Identity and Background

(a) This Schedule 13D is being filed by Forest Oil Corporation, a New York corporation (Forest), and MJCO Corporation, a Delaware corporation (Merger Sub). Forest and Merger Sub have entered into a Joint Filing Agreement, a copy of which is filed with this Schedule 13D as Exhibit A, pursuant to which they have agreed to file this Schedule 13D jointly in accordance with the provisions of Rule 13d-1(k)(1) under the Securities Exchange Act of 1934, as amended (the Exchange Act).

(b) The address of the principal office of each of Forest and Merger Sub is 707 17th Street, Suite 3600, Denver, Colorado 80202.

(c) Forest is an independent oil and gas company engaged in the acquisition, exploration, development, and production of natural gas and liquids primarily in North America. Merger Sub is a newly formed wholly owned subsidiary of Forest that was formed solely in connection with the Mergers and will be merged with and into Houston Exploration in connection with the Mergers (as described below).

(d) During the past five years, neither Forest nor Merger Sub, nor to the knowledge of Forest and Merger Sub, any person named on Schedule I attached hereto has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) During the past five years, neither Forest nor Merger Sub, nor to the knowledge of Forest and Merger Sub, any person named on Schedule I attached hereto was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such entity or person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) To the knowledge of Forest and Merger Sub, each of the individuals identified on Schedule I attached hereto is a citizen of the United States, with the exception of William L. Britton who is a citizen of Canada.

Set forth on Schedule I is the name and principal occupation or employment of each of the directors and executive officers of Forest as of the date hereof.

Item 3. Source and Amount of Funds or Other Consideration

Forest and Merger Sub entered into an Agreement and Plan of Merger, dated as of January 7, 2007, a copy of which is filed herewith as Exhibit B (the Merger Agreement), with Houston Exploration that provides for the acquisition of Houston Exploration by Forest by means of merging Merger Sub with and into Houston Exploration, with Houston Exploration continuing as the surviving corporation, and immediately thereafter, merging Houston Exploration with and into Forest, with Forest continuing as the surviving corporation (the Mergers). As an inducement for Forest and Merger Sub to enter into the Merger Agreement and in consideration thereof, certain stockholders of Houston Exploration, as identified on Schedule II (collectively, the Stockholders), entered into a separate Voting Agreement with Forest and Merger Sub, dated January 7, 2007 (the Voting Agreement), which is filed herewith as Exhibit C and more fully described in Item 6. Forest and Merger Sub did not pay any additional consideration to the Stockholders in exchange for the Voting Agreement.

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Based on the 28,098,172 Shares represented by Houston Exploration in the Merger Agreement to be outstanding as of January 4, 2007, the total consideration payable to the holders of Shares in the Mergers will be approximately 23.6 million shares of common stock of Forest, par value \$.01 per share, and approximately \$740 million in cash payable by Forest. Forest expects to finance the cash portion with an amended \$1.4 billion revolving credit facility, which has been underwritten by JPMorgan Chase Bank, N.A.

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References to, and descriptions of, the Mergers, the Merger Agreement and the Voting Agreement throughout this Schedule 13D are qualified in their entirety by reference to the Merger Agreement filed herewith as Exhibit B to this Schedule 13D and the Voting Agreement filed herewith as Exhibit C to this Schedule 13D, respectively. These agreements are incorporated into this Schedule 13D where such references and descriptions appear.

Item 4. Purpose of Transaction

The Voting Agreement was an inducement to Forest and Merger Sub to enter into the Merger Agreement, and was entered into by the parties thereto in order to facilitate the consummation of the Mergers.

Pursuant to the Merger Agreement, upon the consummation of the Mergers, among other things, each Share will be converted into the right to receive 0.84 shares of Forest common stock and \$26.25 in cash (subject to the equalization and pro ration provisions and certain other conditions and exceptions set forth in the Merger Agreement).

If the Mergers are consummated as planned, the Shares will cease to be listed on the New York Stock Exchange and will become eligible for termination of registration pursuant to Section 12(d) of the Securities Exchange Act of 1934, as amended.

Item 5. Interest in Securities of the Issuer

(a) As a result of the Voting Agreement, Forest and Merger Sub each may be deemed to be the beneficial owner of 4,131,900 Shares. This number of Shares represents approximately 14.7% of the issued and outstanding Shares based on the number of Shares outstanding as of January 4, 2007 (as represented by Houston Exploration in the Merger Agreement). Forest and Merger Sub disclaim any beneficial ownership of such Shares, and nothing herein shall be deemed to be an admission by Forest or Merger Sub as to the beneficial ownership of such Shares.

To the knowledge of Forest and Merger Sub, no Shares are beneficially owned by any of the persons identified in Schedule I to this Schedule 13D.

(b) Forest and Merger Sub may be deemed to have shared voting power of the 4,131,900 Shares held by the Stockholders who entered into the Voting Agreement due to Forest's right under the Voting Agreement to direct the voting of such Shares with respect to the matters specified therein (and to vote such shares in accordance with proxies contained therein). However, neither Forest nor Merger Sub controls the voting of such Shares with respect to other matters or possesses any other rights as a Houston Exploration stockholder with respect to such Shares.

Information required by items 2(a)-(c) with respect to each Stockholder who entered into a Voting Agreement with Forest is set forth on Schedule II. To the knowledge of Forest and Merger Sub, none of the Stockholders (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) during the last five years, or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree, or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws during the last five years.

(c) Neither Forest nor Merger Sub, nor to the knowledge of Forest and Merger Sub, any person or entity named on Schedule I annexed hereto, has effected any transactions in the Shares during the past 60 days.

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(d) To the knowledge of Forest and Merger Sub, no person other than the Stockholders identified on Schedule II has the right to receive or the power to direct the receipt of dividend from, or the proceeds from the sale of, such Shares.

(e) Not applicable.

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Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Pursuant to the Voting Agreement, each of the Stockholders (i) has granted Forest an irrevocable proxy to vote its Shares (a) in favor of the adoption of the Merger Agreement and the approval of the terms thereof and each of the other transactions contemplated thereby and (b) against any transaction, agreement, matter or other Acquisition Proposal (as defined in the Merger Agreement) that would impede, interfere with, delay, postpone or attempt to discourage the Mergers and the Merger Agreement; and (ii) has agreed not to sell, transfer, pledge, assign or otherwise dispose of any of its Shares or enter into any agreement or grant any proxy with respect thereto, provided that such Stockholder may transfer its shares if the transferee agrees in writing to be bound by the terms of the Voting Agreement.

The Voting Agreement will terminate upon the earlier of (i) the consummation of the merger of Merger Sub with and into Houston Exploration, (ii) the date on which the Merger Agreement is validly terminated in accordance with its terms, (iii) the date on which Houston Exploration's board of directors withdraws or changes its recommendation with respect to the Mergers or recommends an Acquisition Proposal, (iv) the date of any material amendment to the Merger Agreement that is adverse to Houston Exploration or its stockholders or waiver of any material condition in the Merger Agreement to Houston Exploration's obligation to close the transactions contemplated by the Merger Agreement, or (v) September 30, 2007.

Pursuant to the Merger Agreement, among other things, Houston Exploration agreed to (i) certain covenants regarding the termination of discussions, activities and negotiations regarding other Acquisition Proposals, (ii) the approval, adoption and recommendation of the Mergers (subject to certain exceptions specified in the Merger Agreement), and (iii) various other matters customary in agreements for transactions such as or similar to the Mergers, in each case as more particularly set forth and described in the Merger Agreement incorporated by reference as Exhibit B hereto.

Except as otherwise described herein, to the knowledge of Forest and Merger Sub, there are no contracts, arrangements, understandings or relationships (legal or otherwise) among the persons named in Item 2 or Schedule I annexed hereto and between such persons and any person with respect to any securities of Houston Exploration.

Item 7. Material to Be Filed as Exhibits

A. Joint Filing Agreement, dated January 11, 2007.

B. Agreement and Plan of Merger, dated as of January 7, 2007, by and among Forest Oil Corporation, MJCO Corporation and The Houston Exploration Company.

C. Voting Agreement, dated as of January 7, 2007.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated January 11, 2007

FOREST OIL CORPORATION

By: /s/ Cyrus D. Marter IV
Name: Cyrus D. Marter IV
Title: Vice President - General Counsel and Secretary

MJCO CORPORATION

By: /s/ Cyrus D. Marter IV
Name: Cyrus D. Marter IV
Title: Vice President and Secretary

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (See 18 U.S.C. 1001).

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Schedule I
Directors and Executive Officers of
Forest Oil Corporation

The name, present principal occupation or employment, and the name of any corporation or other organization in which such employment is conducted, of each of the directors and executive officers of Forest Oil Corporation is set forth below. The business address of each director and executive officer is c/o Forest Oil Corporation 707 17th Street, Suite 3600, Denver, Colorado 80202.

Directors	Title/Occupation
H. Craig Clark	Mr. Clark has served as President and Chief Executive Officer and as a Director of Forest Oil Corporation since July 2003.
William L. Britton	Mr. Britton has been a Director since 1996. He is currently a consultant with the law firm of Bennett Jones LLP.
Loren K. Carroll	Mr. Carroll has been a Director since 2006. Mr. Carroll served as President and Chief Executive Officer of M-I SWACO, a fluid engineering services company controlled by Smith International, Inc., and as Executive Vice President of Smith International, Inc., a supplier of products and services to the oil and gas, petrochemical, and other industrial markets until his retirement in April 2006.
Cortlandt S. Dietler	Mr. Dietler has been a Director since 1996. He has served as Chairman of the Board of TransMontaigne Inc., an independent provider of supply chain management for fuel, since April 1995.
Dod A. Fraser	Mr. Fraser has been a Director since 2000. He is President of Sackett Partners Incorporated, a consulting company, and member of corporate boards, since 2000.
Forrest E. Hoglund	My Hoglund has been a Director since 2000 and has served as the non-executive Chairman of the Board since September 2003.
James H. Lee	Mr. Lee has been a Director since 1991. He has served as the Managing General Partner of Lee, Hite & Wisda Ltd., an oil and gas consulting firm since 1984.
James D. Lightner	Mr Lightner has been a Director since 2004. He is a Partner and Chief Executive Officer of Orion Energy Partners, an oil and gas exploration and production company.
Patrick R. McDonald	Mr. McDonald has been a Director since 2004. He has served as Chief Executive Officer, President and Director of Nytis Exploration Company, an oil and gas exploration company, since April 2003.

Executive Officers	Title
H. Craig Clark	President and Chief Executive Officer
David H. Keyte	Executive Vice President and Chief Financial Officer
Cecil N. Colwell	Senior Vice President Worldwide Drilling

Leonard C. Gurule	Senior Vice President	Alaska
J.C. Ridens	Senior Vice President	Gulf Region
R. Scot Woodall	Senior Vice President	Western Region
Matthew A. Wurtzbacher	Senior Vice President	Corporate Planning and Development
Cyrus D. Marter IV	Vice President, General Counsel and Secretary	
Victor A. Wind	Corporate Controller	

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**Directors and Executive Officers of
MJCO Corporation**

The name, present principal occupation or employment, and the name of any corporation or other organization in which such employment is conducted, of each of the directors and executive officers of MJCO Corporation is set forth below. The business address of each director and executive officer is c/o MJCO Corporation 707 17th Street, Suite 3600, Denver, Colorado 80202.

Director	Title/Occupation
David H. Keyte	Mr. Keyte is the Chief Financial Officer of Forest Oil Corporation.

Executive Officers	Title
David H. Keyte	President
Cyrus D. Marter IV	Vice President and Secretary
Lizbeth J. Stenmark	Assistant Secretary

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Schedule II
Parties to Voting Agreement with
Forest Oil Corporation

The following table sets forth the name and principal occupation or employment of each Stockholder of Houston Exploration that has entered into a Voting Agreement with Forest in connection with the Merger Agreement, and the aggregate number of shares of Houston Exploration common stock held by each such Stockholder as of January 7, 2007. The business address of each Stockholder set forth in Schedule II hereto is: c/o JANA Partners LLC, 200 Park Avenue, Suite 3300, New York, New York 10166.

Name	Shares Held as of January 7, 2007
JANA Master Fund, Ltd.	