Rosetta Resources Inc.
Form POS AM
May 31, 2006
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**As filed with the Securities and Exchange Commission on May 31, 2006**

**Registration No. 333-128888**

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

## Post-Effective Amendment No. 1

## to

## Form S-1

## REGISTRATION STATEMENT

***UNDER***

***THE SECURITIES ACT OF 1933***

# ROSETTA RESOURCES INC.

**(Exact name of registrant as specified in its charter)**

| | | |
|---|---|---|
| **Delaware** | **1311** | **43-2083519** |
| **(State or other jurisdiction of incorporation or organization)** | **(Primary Standard Industrial Classification Code Number)** | **(I.R.S. Employer Identification Number)** |

**717 Texas, Suite 2800**

**Houston, TX 77002**

**(713) 335-4000**

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

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**Michael J. Rosinski**

**Executive Vice President,**

**Chief Financial Officer, Secretary & Treasurer**

**Rosetta Resources Inc.**

**717 Texas, Suite 2800**

**Houston, TX 77002**

**(713) 335-4000**

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

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***Copies to:***

**Dallas Parker**

**Thompson & Knight LLP**

**333 Clay Street, Suite 3300**

**Houston, TX 77002**

**(713) 654-8111**

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

If any securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act ), check the following box. x

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

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

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

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

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**EXPLANATORY NOTE**

**This Post-Effective Amendment No. 1 to the Registration Statement incorporates by reference the Registrant s Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the Securities and Exchange Commission on April 20, 2006, Quarterly Report on Form 10-Q for the three months ended March 31, 2006, as filed with the Securities and Exchange Commission on May 15, 2006, and Current Reports on Forms 8-K as filed with the Securities and Exchange Commission on April 21, 2006 and May 19, 2006.**

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

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED MAY 31, 2006

**PROSPECTUS**

# 50,000,000 Shares

# Common Stock

This prospectus relates to up to 50,000,000 shares of the common stock of Rosetta Resources Inc., which may be offered for sale by the selling stockholders named in this prospectus. The selling stockholders acquired the shares of common stock offered by this prospectus in private equity placements. We are registering the offer and sale of the shares of common stock to satisfy registration rights we have granted.

We are not selling any shares of common stock under this prospectus and will not receive any proceeds from the sale of common stock by the selling stockholders. The shares of common stock to which this prospectus relates may be offered and sold from time to time directly from the selling stockholders or alternatively through underwriters or broker-dealers or agents. The shares of common stock may be sold in one or more transactions, at fixed prices, at prevailing market prices at the time of sale or at negotiated prices. Because all of the shares being offered under this prospectus are being offered by selling stockholders, we cannot currently determine the price or prices at which our shares of common stock may be sold under this prospectus. Shares of our common stock are listed on the NASDAQ National market under the symbol ROSE. On May 18, 2006, the closing price of our common stock as reported on the NASDAQ National Market was $17.81 per share. Please read Plan of Distribution.

**Investing in our common stock involves risks. You should read the section entitled Risk Factors beginning on page 17 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which is incorporated by reference herein, for a discussion of certain risk factors that you should consider before investing in our common stock.**

You should rely only on the information contained in or incorporated by reference into this prospectus or any prospectus supplement or amendment. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted.

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

**The date of this prospectus is , 2006.**

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## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC, under the Securities Act of 1933, as amended (the Securities Act ), a registration statement on Form S-1 with respect to the common stock offered by this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement, portions of which are omitted as permitted by the rules and regulations of the SEC. Statements made in this prospectus regarding the contents of any contract or other documents are summaries of the material terms of the contract or document. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this document. Our business, financial condition, results of operations and prospects may have changed since that date. Any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference. With respect to each contract or document filed as an exhibit to the registration statement, reference is made to the corresponding exhibit. For further information pertaining to us and to the common stock offered by this prospectus, reference is made to the registration statement, including the exhibits and schedules thereto, copies of which may be inspected without charge at the public reference facilities of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of all or any portion of the registration statement may be obtained from the SEC at prescribed rates. Information on the public reference facilities may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a web site that contains reports, proxy and information statements and other information that is filed electronically with the SEC. The web site can be accessed at *www.sec.gov.*

We are required to comply with the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act ), and, accordingly, we file current reports on Form 8-K, quarterly reports on Form 10-Q, annual reports on Form 10-K, proxy statements and other information with the SEC. Those reports, proxy statements and other information will be available for inspection and copying at the public reference facilities and internet site of the SEC referred to above.

We have elected to incorporate by reference certain information into this prospectus, which means we can disclose important information to you by referring you to another document filed with the SEC. The information incorporated by reference is deemed to be part of this prospectus. Please read Incorporation by Reference. You should only rely on the information contained in this prospectus and incorporated by reference in it. We have not authorized anyone to provide you with any additional information.

## INCORPORATION BY REFERENCE

We are incorporating by reference into this prospectus the following documents filed with the SEC (excluding any portions of such documents that have been furnished but not filed for purposes of the Securities Exchange Act of 1934, as amended):

- Our annual report on Form 10-K for the fiscal year ended December 31, 2005, filed with the SEC on April 20, 2006;

- Our definitive proxy statement for annual meeting of stockholders filed with the SEC on April 28, 2006;

- Our quarterly report on Form 10-Q for the three months ended March 31, 2006, filed with the SEC on May 15, 2006; and

- Our current reports on Forms 8-K, filed with the SEC on April 21, 2006 and May 19, 2006.

Any statement contained in this prospectus or a document incorporated by reference in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that is incorporated by reference in this prospectus modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

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The documents incorporated by reference in this prospectus are available from us upon request. We will provide a copy of any and all of the information that is incorporated by reference in this prospectus to any person, without charge, upon written or oral request. Requests for such copies should be directed to the following:

Rosetta Resources Inc.

717 Texas, Suite 2800

Houston, Texas 77002

Telephone Number: (713) 335-4000

Attention: Chief Financial Officer

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## SUMMARY

*This summary highlights information contained herein and incorporated by reference in this prospectus. It is not complete and does not contain all of the information you may wish to consider before investing in the shares. We urge you to read this entire prospectus and the information incorporated herein by reference carefully, including the Risk Factors beginning on page 17 of our Annual Report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference herein and the financial statements incorporated by reference in this prospectus. References to Rosetta , the Company, we, us, and our refer to Rosetta Resources Inc. The estimates of our proved reserves as of December 31, 2005 and 2004 included or incorporated by reference in this prospectus are based on reserve reports prepared by Netherland, Sewell & Associates, Inc., independent petroleum engineers ( Netherland Sewell ).*

*We have provided definitions for some of the industry terms used in this prospectus in the Glossary of Oil and Natural Gas Terms beginning on page 57 of this prospectus.*

## Our Company

### General

Rosetta Resources Inc. (the Company ) is comprised of the domestic oil and natural gas business formerly owned by Calpine Corporation and affiliates (predecessor, Calpine ) acquired in July 2005 by the Company (successor). The Company is engaged in oil and natural gas exploration, development, production and acquisition activities in the United States, and operates in one business segment. Our operations are primarily concentrated in the Sacramento Basin of California, Lobo and Perdido Trends in South Texas, the State Waters of Texas, the Gulf of Mexico and the Rocky Mountains. The Company was formed in June 2005 to acquire the domestic oil and natural gas business of Calpine. This acquisition closed in July 2005.

Pursuant to the acquisition, we entered into several operative contracts with Calpine, including a purchase and sale agreement under which we have indemnification rights and obligations with respect to Calpine. Currently, Calpine provides pipeline services, including personnel, under the transition services agreement and markets our gas under a marketing agreement. We sell a significant portion of our gas to Calpine pursuant to certain gas purchase and sales contracts.

In October 1999, Calpine purchased Sheridan Energy, Inc. ( Sheridan ), a natural gas exploration and production company operating in northern California and the Gulf Coast region. The Sheridan acquisition provided the initial management team an operational infrastructure to evaluate and acquire oil and natural gas properties for Calpine. In December 1999, Calpine purchased Vintage Petroleum, Inc. s interest in the Rio Vista Gas Unit and related areas, representing primarily natural gas reserves located in the Sacramento Basin in northern California. Sheridan was purchased by Calpine in 1999 and renamed Calpine Natural Gas Company and then was merged into Calpine in April 2002, and Rosetta Resources Operating LP (formerly known as Calpine Natural Gas L.P.; RROLP ) was subsequently established. In October 2001, Calpine completed the acquisition of 100% of the voting stock of Michael Petroleum Corporation, a natural gas exploration and production company with operations in south Texas. In September 2004, Calpine sold its natural gas reserves in the New Mexico San Juan Basin and Colorado Piceance Basin and such properties have been reflected as discontinued operations for all periods presented herein. Several members of the Calpine management team, who were responsible for operating Calpine s oil and natural gas business, joined the Company concurrently with the acquisition of the properties from Calpine.

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**Our Strengths**

We believe our historical success is, and future performance will be, directly related to the following combination of strengths:

***High Quality, Diversified Asset Base.*** We own a geographically diversified asset base comprised of long-lived reserves along with shorter-lived, higher return reserves. Approximately 96% of our reserves are natural gas, and almost all of our assets are located in the Sacramento Basin of California, South Texas, the Gulf of Mexico and the Rocky Mountains. We believe this geographic and production profile diversity will enhance the stability of our cash flows while providing us with a large number of development and exploration opportunities, as well as support for additional acquisitions.

***Development and Exploration Drilling Inventory***. We have identified over 500 drillable, low to moderate risk opportunities providing us with multiple years of drilling inventory, and we expect to drill approximately one-third of these locations during 2006. Approximately 123 of these locations are classified as proved undeveloped. We also have a large and diversified portfolio of what we designate as development and exploration prospects. Our capital expenditure budget, including potential acquisitions, is approximately $199 million for 2006. We will manage our exploratory risks and expenditures by selectively reducing our capital exposure in certain high risk projects by partnering with others in our industry.

***Operational Control***. We operate approximately 90% of our estimated proved reserves, which allows us to more effectively manage expenses and control the timing of capital allocation of our development and exploration activities.

***Experienced Management Team***. Our executive management has an average of over 25 years of experience in the oil and natural gas industry.

***Proven Management Team, Including Technical and Land Personnel, with Access to Technological Resources***. Our technical staff includes 26 geologists, geophysicists, landmen, engineers and technicians with an average of over 20 years of relevant technical experience. Our staff has a proven record of analyzing complex structural and stratigraphic plays using 3-D geophysical expertise, producing and optimizing low pressure natural gas reservoirs, detecting low contrast, low permeability pay opportunities, drilling, completing and fracing of deep tight natural gas reservoirs, conducting Gulf of Mexico operations and managing horizontal drilling and coalbed methane operations. These core competencies helped us to achieve a drilling success rate of over 80% for the six months ended December 31, 2005 and has helped maximize recovery from our reservoirs. Our definition of drilling success is a well that produces hydrocarbons at sufficient rates, to allow us to recover, at a minimum, our capital investment and operating costs.

**Our Strategy**

Our strategy is to increase stockholder value by profitably increasing our reserves, production, cash flow and earnings using a balanced program of (1) developing existing properties, (2) exploring undeveloped properties, (3) completing strategic acquisitions and (4) maintaining financial flexibility. The following are key elements of our strategy:

***Further Development to Existing Properties***. We intend to further develop the significant remaining upside potential of our properties by working over existing wells, drilling infill locations, drilling step-out wells to expand known field outlines, tapping logged behind pipe pays and lowering field line pressures for additional recoveries. Many of these opportunities were not fully exploited prior to the formation of Rosetta.

***Exploration Growth***. We intend to focus on niche areas in which we have technological and operational advantages. This growth will come from higher-risk, higher-impact opportunities offshore in the Gulf of Mexico,

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along the Wilcox Trend in South Texas, in deep horizons in the Sacramento Basin, and from lower-risk, longer-lived drilling in the shallow Sacramento Basin, the Lobo Sand Trend in South Texas, the Wasatch and Mesa Verde formations in the Uinta Basin, Niobrara chalk in the DJ Basin and coalbed methane in the San Juan Basin. While the majority of our prospects will be internally generated, we will, from time to time, participate in third party drilling opportunities.

***Acquisition Growth***. We will continually review opportunities to acquire producing properties, undeveloped acreage and drilling prospects. We will particularly focus on opportunities where we believe our reservoir management and operational expertise will enhance the value and performance of acquired properties. Initial acquisition targets will be in and around our major producing and activity areas. We will also use our minor producing field ownerships as islands of control and knowledge to make strategic acquisitions. Our management team has demonstrated success in acquisitions in the past ten years and has developed a significant knowledge base of producing oil and natural gas fields throughout the United States.

***Maintain Technological Expertise***. We intend to maintain the technological expertise that helped us to achieve a drilling success rate of over 80% for the six months ended December 31, 2005 and helped us maximize field recoveries. We will use advanced geological and geophysical technologies, detailed petrophysical analyses, state-of-the-art reservoir engineering and sophisticated completion and stimulation techniques to grow our reserves and production.

***Endeavor to be a Low Cost Producer.*** We will strive to minimize our operating costs by concentrating our assets within geographic areas where we can consolidate operating control and capture operating efficiencies. This is particularly true in the Sacramento Basin because of our position as the dominant producer in the region.

***Maintain Financial Flexibility.*** We intend to optimize unused borrowing capacity under our revolving line of credit by periodically refinancing our bank debt in the capital markets when conditions are favorable. As of March 31, 2006, we had $159 million available for borrowing under our revolving line of credit. Additionally, we expect internally generated cash flow to provide additional financial flexibility, allowing us to pursue our business strategy. We intend to actively manage our exposure to commodity price risk in the marketing of our oil and natural gas production. As part of this strategy and in connection with our credit facilities, we entered into natural gas fixed-price swaps for a significant portion of our expected production through 2009. Additionally, in the fourth quarter 2005, we entered into costless collar contracts for a portion of our 2006 production. We may enter into other agreements, including fixed price, forward price, physical purchase and sales contracts, futures, financial swaps, option contracts and put options.

**Calpine Bankruptcy**

On December 20, 2005, Calpine and certain of its subsidiaries, including Calpine Fuels, filed for federal bankruptcy protection in the Southern District of New York. The filing raises certain concerns regarding aspects of our relationship with Calpine which we will closely monitor as the Calpine bankruptcy proceeds. Following are our principal areas of concern:

- The bankruptcy court may challenge the fairness of our acquisition. For a number of reasons, including the process which Calpine followed in allowing market forces to set the purchase price for the acquisition, we believe that it is unlikely that any challenge to the fairness of our acquisition would be successful.

- The bankruptcy proceeding may prevent, frustrate or delay our ability to receive record legal title to certain properties originally determined to be non-consent properties which we are entitled to obtain under our purchase and sale agreement with Calpine and certain subsidiaries.

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Additionally, the bankruptcy proceeding may prevent, frustrate or delay our ability to receive corrective documentation from Calpine for certain properties which we bought from Calpine and paid for, where the documentation delivered by Calpine was incomplete, including documentation related to certain ministerial governmental approvals.

Calpine may stop purchasing gas from us under our gas purchase contract with Calpine. Since the date of the bankruptcy filing, Calpine has continued buying natural gas from us and paying for it timely. The bankruptcy court for Calpine, as debtor-in-possession, has given approval to continue payments to us for our delivery of natural gas under our gas purchase and sale agreement. Under the terms of this contract, we are entitled to sell this gas to third parties at comparable prices and terms if this occurs and expect to be able to minimize our exposure to four days of sales under the contract, or approximately $1.5 million in lost sales at production rates and prices as of March 31, 2006.

Calpine may stop providing us certain services, including natural gas marketing services and pipeline services, which Calpine, through separate subsidiaries, currently provides to us. Management does not believe that cessation of these services would have a material impact on our operations.

As to all of these matters, see also Risk Factors Risks Relating to Our Business Calpine s recent bankruptcy filing may adversely affect us in several respects included in our annual report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference in this registration statement, for a further discussion of the potential risks relating to Calpine s bankruptcy. We have engaged bankruptcy counsel to monitor this proceeding and advocate our interests as necessary and have initiated plans to mitigate the operational risks presented by the Calpine bankruptcy.

We believe the structure of the equity offering of our common stock and the process followed by Calpine allowed market action to determine the $1.05 billion in proceeds, before fees and expenses, received by Calpine in the acquisition. Senior management of Calpine, in consultation with its various advisors, structured the acquisition and the private issuance of our common stock to fund the acquisition. Our equity was purchased by sophisticated investors knowledgeable in oil and natural gas transactions.

***Transfers Pending at Calpine s Bankruptcy***

At July 7, 2005, we retained approximately $75 million of the purchase price in respect to properties identified as requiring third party consents that were not received before closing. Subsequent analysis determined that a portion of these properties, with an approximate allocation value of $29 million, under the purchase and sale agreement with Calpine ( PSA ) did not require consent. For that portion of the properties for which third party consents were in fact required having an approximate value of $39 million under the PSA and those properties that did not require consent, we believe that Calpine was obligated to have transferred to us the record title, free of any mortgages, for all properties for which any required consents were received or were otherwise cured at the close of each month for the first six months after closing by no later than 5 days after the end of each month of cure.

The approximate allocated value under the PSA for the portion of these properties subject to a preferential right is $7.1 million. We will retain $7.4 million for the properties subject to this preferential right, which total amount includes approximately $0.3 million for a property which was transferred to us but will be transferred to the appropriate third party under an exercised preferential purchase right.

We believe all conditions for our receipt of record title, free of any mortgages for all of these properties (excluding that portion of these properties subject to this preferential right) were satisfied on or before December 15, 2005. We believe we are the equitable owner of all of these properties (excluding that portion of these properties subject to this preferential right) and that same are not part of Calpine s bankruptcy estate. Upon our receipt from Calpine of record title, free of any mortgages, we are prepared to pay Calpine approximately $68 million, subject to appropriate adjustment for the associated net revenues for the cured non-consent

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properties through December 15, 2005. Rosetta s statements of operations for the six months ended December 31, 2005 or for the three months ended March 31, 2006 do not include any net revenues or production from these properties (excluding that portion of these properties subject to this preferential right).

If Calpine does not provide us with record title, free of any mortgages for all of these properties (excluding that portion of these properties subject to this preferential right), we will have a total of approximately $68 million available to us for general corporate purposes, including for the purpose of acquiring additional properties. We will also have approximately $7.4 million for that portion of these properties subject to a preferential right, available to us for general Corporate purposes, including for the purpose of acquiring additional properties.

In addition, as to certain of the properties we purchased from Calpine and paid Calpine for on July 7, 2005, we will seek additional documentation from Calpine to eliminate any issue as to the clarity of our ownership. The specific nature of our request will depend on the particular facts and circumstances surrounding each property involved. Certain of these properties are subject to ministerial governmental action approving us as qualified assignee and operator, even though in most cases Calpine specifically conveyed the property to us free and clear of mortgages and liens previously recorded by Calpine s creditors. As to certain other properties, the documentation delivered by Calpine at closing was incomplete. We remain hopeful that we will be able to work cooperatively with Calpine to secure these ministerial governmental approvals and to accomplish the curative corrections for all of these properties. In addition, as to all these properties, Calpine contractually agreed to provide us with such further assurances as we may reasonably request. Nevertheless, as a result of the recency of Calpine s bankruptcy filing, it remains uncertain as to how, when and if Calpine will respond cooperatively. If Calpine does not fulfill its contractual obligations and does not complete the documentation necessary to resolve these conveyancing issues, we will pursue all available remedies, including but not limited to a declaratory judgment to enforce our rights and actions to quiet title. After pursuing these matters, if we experience a loss of ownership with respect to these properties without receiving adequate consideration for any resulting loss to us, an outcome our management considers to be remote, then we could experience losses which could have a material adverse effect on our assets, financial condition, earnings and statement of cash flows.

**Crude Oil and Natural Gas Operations**

***Production by Operating Area***

The following table presents certain information with respect to our production data for the periods presented:

| | Successor(1) Three Months Ended March 31, 2006 | | | Successor(1) Six Months Ended December 31, 2005 | | | Predecessor Six Months Ended June 30, 2005 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Natural Gas | Oil | Equivalents | Natural Gas | Oil | Equivalents | Natural Gas | Oil | Equivalents |
| | Bcf | MMBbls | Bcfe | Bcf | MMBbls | Bcfe | Bcf | MMBbls | Bcfe |
| California | 2.6 | | 2.6 | 5.2 | | 5.3 | 6.5 | | 6.6 |
| Lobo | 1.7 | | 1.8 | 3.8 | | 3.9 | 3.7 | | 3.9 |
| Perdido | 1.1 | | 1.2 | 1.5 | | 1.5 | 1.8 | | 1.8 |
| State Waters | 0.4 | | 0.4 | 0.7 | | 0.7 | 0.3 | | 0.3 |
| Other Onshore | 0.4 | | 0.5 | 0.7 | 0.1 | 0.9 | 1.0 | 0.1 | 1.3 |
| Gulf of Mexico | 0.6 | 0.1 | 1.1 | 0.4 | 0.1 | 1.0 | 1.1 | 0.1 | 1.5 |
| Rockies | | | | | | | | | |
| Mid-Continent | 0.1 | | 0.1 | 0.1 | | 0.2 | 0.1 | | 0.1 |
| Totals | 6.9 | 0.1 | 7.7 | 12.4 | 0.2 | 13.5 | 14.5 | 0.2 | 15.5 |

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(1) Excludes properties not conveyed as part of the acquisition of the domestic oil and natural gas properties of Calpine as described in the footnotes below.

***Proved Reserves***

There are a number of uncertainties inherent in estimating quantities of proved reserves, including many factors beyond our control, such as commodity pricing. Therefore, the reserve information in this report represents only estimates. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that can not be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers may vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revising the original estimate. Accordingly, initial reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. The meaningfulness of such estimates depends primarily on the accuracy of the assumptions upon which they were based. Except to the extent that we acquire additional properties containing proved reserves or conduct successful exploration and development activities, or both, our proved reserves will decline as reserves are produced.

As of December 31, 2005, we had 359 Bcfe of proved oil and natural gas reserves, including 344 Bcf of natural gas and 2,481 MBbls of oil and condensate. Using prices as of December 31, 2005, the estimated present value of future net revenues from proved reserves before income taxes, using SEC pricing guidelines, and discounted at an annual rate of 10% was approximately $1.3 billion. The following table sets forth by operating area a summary of our estimated net proved reserve information as of December 31, 2005:

| | Estimated Proved Reserves at December 31, 2005(1)(3)(4) | | | | |
|---|---|---|---|---|---|
| | Developed (Bcfe) | Undeveloped (Bcfe) | Total (Bcfe) | Percent of Total Reserves | PV-10 (Millions)(2) |
| California | 110.5 | 37.2 | 147.7 | 41% | $ 605.7 |
| Lobo | 74.0 | 77.2 | 151.2 | 42% | 463.1 |
| Perdido | 9.2 | 1.0 | 10.2 | 3% | 44.1 |
| State Waters | 3.4 | | 3.4 | 1% | 17.8 |
| Gulf of Mexico | 12.7 | 3.9 | 16.6 | 5% | 99.6 |
| Other Onshore | 15.9 | 7.7 | 23.6 | 6% | 76.5 |
| Rocky Mountains | 2.5 | 1.0 | 3.5 | 1% | 9.7 |
| Mid-Continent | 2.3 | 0.5 | 2.8 | 1% | 10.2 |
| Total | 230.5 | 128.5 | 359.0 | 100% | $ 1,326.7 |

(1) These estimates are based upon a reserve report prepared by Netherland Sewell using criteria in compliance with SEC guidelines and excludes 19.6 Bcfe of proved oil and gas reserves and a value of $72.5 million representing the total allocated value of wells and the associated leases described in footnote 3 below.

(2) Our PV-10 value has been calculated using a spot market natural gas price and posted oil price at December 31, 2005 of $10.08/MMBtu and $57.75/Bbl, respectively, adjusted for basis differentials and held flat for the life of the reserves and adjusted for quality differentials.

(3) At the July 2005 closing, we withheld $68 million for properties (excluding that portion of the properties subject to the preferential right) which Calpine agreed to transfer to us as part of the acquisition but for which Calpine had not then secured consents to assign. Subsequent analysis determined that a portion of these properties, having an allocated value withheld under the PSA at closing of $29 million, did not require consent. Consents now have been received for the remaining properties as to which the allocated value under the PSA withheld at closing, was $39 million ( Cured Non-consent Properties ). We are prepared to

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pay Calpine the retained portion of the original purchase price, upon our receipt from Calpine of record title on these properties, free of any encumbrance, subject to appropriate adjustment for the net revenues through December 15, 2005 related to these properties.

(4) Includes properties subject to additional documentation or completion of ministerial actions by federal or state agencies necessary to perfect title issues discovered during routine post-closing analysis after completion of our acquisition of the domestic oil and natural gas business from Calpine, for which Calpine is contractually obligated to assist in resolving.

***Operating Data***

The following table presents certain information with respect to our production and operating data for the periods presented, all of which is domestic production.

| | Successor | | Predecessor | | |
|---|---|---|---|---|---|
| | Three Months Ended March 31, | Six Months Ended December 31, | Six Months Ended June 30, | Years Ended December 31, | |
| | 2006 | 2005 | 2005 | 2004 | 2003 |
| **Production** | | | | | |
| Natural gas (Bcf) | 6.9 | 12.4 | 14.5 | 37.3 | 49.6 |
| Oil (MMBbls) | 0.1 | 0.2 | 0.2 | 0.6 | 0.4 |
| Equivalents (Bcfe) | 7.7 | 13.5 | 15.5 | 40.9 | 52.2 |
| **Average realized sales price per unit** | | | | | |
| Natural gas ($/Mcf)(1) | $ 7.99 | $ 9.57 | $ 6.59 | $ 6.02 | $ 5.38 |
| Oil ($/Bbl) | $ 61.39 | $ 59.52 | $ 49.86 | $ 39.08 | $ 29.67 |
| Equivalents ($/Mcfe) | $ 8.38 | $ 8.38 | $ 6.70 | $ 6.06 | $ 5.36 |
| **Expenses ($/Mcfe)** | | | | | |
| Lease operating expense(2) | $ 1.24 | $ 1.16 | $ 1.08 | $ 0.75 | $ 0.57 |
| Transportation, treating and marketing fees | $ 0.20 | $ 0.20 | $ 0.19 | $ 0.13 | $ 0.15 |
| General and administrative, net(3) | $ 1.20 | $ 1.09 | $ 0.63 | $ 0.48 | $ 0.32 |
| Depreciation, depletion and amortization (excluding ceiling test write-downs and impairments) | $ 3.13 | $ 3.00 | $ 1.98 | $ 2.00 | $ 1.39 |

(1) The average realized natural gas sales price per Mcf inclusive of the effects of hedging for the three months ended March 31, 2006 (successor) and six months ended December 31, 2005 (successor) was $8.22 and $8.23, respectively. There were no other hedging arrangements during any other period presented.

(2) The three months ended March 31, 2006 (successor) and six months ended December 31, 2005 (successor) includes workover expense of $0.28 and $0.22 per Mcfe, ad valorem taxes of $0.21 and $0.25 per Mcfe and insurance of $0.03 and $0.04 per Mcfe, respectively. The high rate of workover expense relates to the workover of our High Island #A-442 well and an aggressive rehabilitation program to boost production on existing wells. The six months ended June 30, 2005 (predecessor) includes workover expense, ad valorem taxes and insurance of $0.22 per Mcfe, $0.22 per Mcfe, and $0.06 per Mcfe, respectively. Ad valorem taxes for the six months ended June 30, 2005 (predecessor) includes higher taxes in South Texas and a special reclamation tax in California. Lease operating expense for 2004 (predecessor) includes workover expense and ad valorem taxes of $0.04 per Mcfe and $0.15 per Mcfe, respectively. Lease operating expense for 2003 (predecessor) includes workover expense and ad valorem taxes of $0.04 per Mcfe and $0.09 per Mcfe, respectively.

(3) Net of overhead reimbursements received from other working interest owners.

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## Recent Developments

As previously disclosed in our annual report on Form 10-K for the year ended December 31, 2005, obligations and liabilities relating to an arbitration proceeding between Calpine Corporation and Rosetta Resources Operating LP ( RROLP ), on the one hand, and Pogo Producing Company, on the other hand, was a retained liability by Calpine, as our predecessor company, under our purchase and sale agreement with Calpine, which agreement is described further under Description of Separation from Calpine Corporation ( PSA ). Despite the retained nature of this specific liability, Pogo recently commenced an arbitration proceeding against RROLP separately in an effort to avoid the automatic stay applicable to Calpine as a result of its filing for bankruptcy protection in December 2005. This retained liability is subject to an indemnification obligation by Calpine to pay for and defend the arbitration claim. On May 16, 2006 in accordance with the PSA, we provided to Calpine written notice of Calpine s obligation to fulfill its indemnification obligations under the PSA but have not received an answer to the notice from Calpine as of the date of this prospectus. If Calpine refuses to comply with its contractual obligations to us in this regard, we will have a claim against it in bankruptcy. We are currently evaluating our available options with respect to the arbitration proceeding in light of the fact that this liability is retained by Calpine under our PSA. In commencing this arbitration proceeding, Pogo has alleged title defects with respect to the affected properties valued at approximately $2.2 million. We do not believe that we have liability under this claim or with respect to this proceeding; however, dealing with the arbitration proceeding as well as the related issues with respect to Calpine s bankruptcy proceeding will take time of our management and may require us to cover out-of-pocket expense which are additionally subject to our indemnification rights under the PSA. We cannot provide assurance that we will be covered for all of our costs related to this proceeding.

## Corporate Information

On July 7, 2005, we completed a private offering of 45,312,500 shares of our common stock exempt from registration under the Securities Act for aggregate consideration of $725 million or $16.00 per share. We used the net proceeds from the offering and borrowings of $325 million under our credit facilities to purchase Calpine s domestic oil and natural gas exploration and production business. In connection with that offering, on July 13, 2005, we sold an additional 4,687,500 shares of our common stock in an exempt transaction to fulfill the over-allotment option we granted for $75 million before fees, also at $16.00 per share. The net proceeds generated from the exercise of our over-allotment option were used to repay $60 million of debt under our new revolving credit facility in July 2005 and the remaining amount was used for unspecified operating costs of our oil and natural gas properties and general and administrative costs of our oil and natural gas operations. Following the closing of our Acquisition and our receipt of these additional proceeds, we increased our development and acquisition activities.

We were incorporated in June 2005 as a Delaware corporation. Our principal executive offices are located at 717 Texas, Suite 2800, Houston, TX 77002 and our telephone number is (713) 335-4000. Our website is *http://www.rosettaresources.com*.

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## THE OFFERING

| | |
|---|---|
| Common stock offered by selling stockholders | 50,000,000 shares |
| Common stock to be outstanding after this offering | 50,591,819 shares(1) |
| Dividend policy | We do not anticipate that we will pay cash dividends in the foreseeable future. Our credit facilities restrict our ability to pay cash dividends. |
| Use of proceeds | We will not receive any proceeds from the sale of the shares of common stock offered in this prospectus. |
| Risk factors | For a discussion of factors you should consider in making an investment, see Risk Factors below. |
| NASDAQ symbol | ROSE |

(1) Includes 569,069 shares of our restricted common stock issued to employees and directors under our 2005 Long-Term Incentive Plan as of May 5, 2006. Certain of these shares are subject to vesting requirements.

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## RISK FACTORS

You should carefully consider all of the information contained in or incorporated by reference into this prospectus prior to investing in the common stock. In particular, we urge you to carefully consider the information under Risk Factors incorporated by reference into this prospectus so that you understand the risks associated with an investment in our company and the common stock. The risks, contingencies and uncertainties relate to, among other matters, the following:

- the timing and extent of changes in commodity prices, particularly natural gas;
- various drilling and exploration risks that may delay or prevent commercial operation of new wells;
- economic slowdowns that can adversely affect consumption of oil and natural gas by businesses and consumers;
- Calpine s bankruptcy;
- uncertainties that actual costs may be higher than estimated;
- factors that impact the exploration of oil or natural gas resources, such as the geology of a resource, the total amount and costs to develop recoverable reserves, and legal title, regulatory, natural gas administration, marketing and operational factors relating to the extraction of oil and natural gas;
- uncertainties associated with estimates of oil and natural gas reserves;
- our ability to access the capital markets on attractive terms or at all;
- refusal by or inability of our current or potential counterparties or vendors to enter into transactions with us or fulfill their obligations to us;
- our inability to obtain credit or capital in desired amounts or on favorable terms;
- present and possible future claims, litigation and enforcement actions;
- effects of the application of regulations, including changes in regulations or the interpretation thereof;
- availability of processing and transportation;

potential for disputes with mineral lease and royalty owners regarding calculation and payment of royalties, including basis of pricing, adjustment for quality, measurement and allowable costs and expenses;

developments in oil-producing and natural gas-producing countries;

competition in the oil and natural gas industry;

adverse weather conditions and other natural disasters which may occur in areas of the United States in which we have operations, including the Federal waters of the Gulf of Mexico; and

other risks identified in this prospectus.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements, other than statements of historical fact, included in this prospectus, are forward-looking statements. In some cases, you can identify a forward-looking statement by terminology such as may , could , should , expect , plan , project , intend , anticipate , believe predict , potential , pursue , target or continue , the negative of such terms or other comparable terminology.

The forward-looking statements contained in this prospectus are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. 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. In addition, management s assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this prospectus are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to the factors listed in the Risk Factors section and elsewhere in this prospectus. All forward-looking statements speak only as of the date of this prospectus. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us, or persons acting on our behalf.

## USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the shares of common stock offered by this prospectus. Any proceeds from the sale of the shares by this prospectus will be received by the selling stockholders.

## DIVIDEND POLICY

We do not expect to declare or pay any cash or other dividends in the foreseeable future on our common stock, as we intend to use cash flow generated by operations to expand our business. Our credit facilities restrict our ability to pay cash dividends on our common stock, and we may also enter into credit agreements or other borrowing arrangements in the future that restrict our ability to declare or pay cash dividends on our common stock. As discussed below in Capitalization , our Board of Directors has the authority to issue preferred stock and to fix dividend rights that may have preference to common shares.

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## CAPITALIZATION

Our company was formed in June 2005. We began active oil and natural gas operations in July 2005 following our acquisition of the domestic oil and natural gas business of Calpine. The funding for the Acquisition was through a private placement of 45,312,500 shares of our common stock to qualified institutional buyers, and non-U.S. persons in transactions exempt from registration under the Securities Act. We also used borrowings of $325 million under our credit facilities to complete the Acquisition. Additionally, we sold 4,687,500 shares of our common stock in an exempt transaction to fulfill the over-allotment option we granted to our underwriter. The net proceeds from the exercise of the over-allotment option (after paying transaction fees) were $70 million. A significant portion of these proceeds were used to repay $60 million of debt under our new revolving credit facility in July 2005, and the remaining amount was used for unspecified operating costs of our oil and natural gas properties and general and administrative costs of our oil and natural gas operations. Following the closing of our Acquisition and our receipt of these additional proceeds, we increased our development and acquisition activities.

We have reserved a total of 3,000,000 shares of our common stock for issuance to employees pursuant to our 2005 Long-Term Incentive plan, including the 591,819 shares discussed herein.

The Board of Directors has the authority to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rates, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of that series, which may be superior to those of the common stock, without further vote or action by the stockholders. The issuance of shares of the preferred stock by our Board of Directors as described above may adversely affect the rights of the holders of common stock. For example, preferred stock issued by us may rank prior to the common stock as to dividend rights, liquidation preference or both may have full or limited voting rights, and may be convertible into shares of common stock. Accordingly, the issuance of shares of preferred stock may discourage bids for our common stock or may otherwise adversely affect the market price of our common stock. As of the date of this prospectus, no preferred stock was outstanding.

The following table sets forth our cash and capitalization as of March 31, 2006, which reflects our private placement offering in July 2005, the borrowings under our credit facilities, the acquisition and the application of the net proceeds. You should refer to Managements Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2005 and the quarterly report on form 10-Q for the three month period ended March 31, 2006 and the audited consolidated/combined financial statements and related notes thereto included in our Annual Report on Form 10-K and the unaudited consolidated/combined financial statements included in the quarterly report on form 10-Q in evaluating the material presented below.

| | As of March 31, 2006 (In thousands) |
|---|---|
| Cash and cash equivalents | $ 103,751 |
| Long-term debt | 240,000 |
| Total stockholders equity | 757,089 |
| Total capitalization | $ 997,089 |

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## SELECTED HISTORICAL CONSOLIDATED/COMBINED FINANCIAL DATA

The following historical financial data, as of December 31, 2004, and for the fiscal years ended December 31, 2003 and 2004, for the three months ended March 31, 2005 and for the six months ended June 30, 2005, has been derived from the combined financial statements of the domestic oil and natural gas properties of Calpine (predecessor). The historical financial data as of December 31, 2003, and for the year ended December 31, 2002, has been derived from the combined financial statements of the domestic oil and natural gas properties of Calpine (predecessor). The historical financial data as of December 31, 2001 and 2002, and for the year ended December 31, 2001, has been derived from the books and records of the domestic oil and natural gas properties of Calpine (predecessor). The historical financial data as of March 31, 2006 and December 31, 2005 and for the three months ended March 31, 2006 and six months ended December 31, 2005 (successor) has been derived from the consolidated financial statements of Rosetta Resources Inc. You should read the following selected historical consolidated/combined financial data in connection with Management s Discussion and Analysis of Financial Condition and Results of Operation and the audited consolidated/combined financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2005 and the unaudited consolidated/combined financial statements included in our Quarterly Filing on Form 10-Q for the period ended March 31, 2006. The predecessor historical financial data was derived from financial data of Calpine when we were not a stand-alone business. Additionally, the historical financial data reflects successful efforts accounting for oil and natural gas properties for the predecessor periods described above and the full cost method of accounting for oil and natural gas properties effective July 1, 2005 for the successor period, described below. In addition, the Company adopted the intrinsic value method of accounting for stock options as outlined in Accounting Practice Bulletin No. 25, Stock Issued to Employees effective July 1, 2005. Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standard No. 123 (revised 2004) Share-Based Payments ( SFAS-123R ). The selected historical results are not necessarily indicative of results to be expected in future periods.

| | Predecessor For the Years Ended December 31, | | | | For the Six Months Ended June 30, 2005 | Successor For the Six Months Ended December 31, 2005 | Successor For the Three Months Ended March 31, 2006 | Predecessor For the Three Months Ended March 31, 2005 |
|---|---|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | | | | |
| | (In thousands, except per share amounts) | | | | | | | |
| **Operating Results Data** | | | | | | | | |
| Total revenue | $ 190,665 | $ 157,372 | $ 279,916 | $ 248,006 | $ 103,831 | $ 113,104 | $ 64,544 | $ 50,555 |
| Costs and expenses: | | | | | | | | |
| Depreciation, depletion and amortization | 52,590 | 64,109 | 72,766 | 81,590 | 30,679 | 40,500 | 24,067 | 15,124 |
| Impairment | | 6,034 | 2,931 | 202,120 | | | | |
| Other costs and expenses | 41,974 | 57,971 | 74,391 | 67,359 | 36,289 | 37,001 | 22,025 | 14,982 |
| Total costs and expenses | 94,564 | 128,114 | 150,088 | 351,069 | 66,968 | 77,501 | 46,092 | 30,106 |
| Operating income (loss) | 96,101 | 29,258 | 129,828 | (103,063) | 36,863 | 35,603 | 18,452 | 20,449 |
| Other income (expense) | 10,855 | (26,821) | (18,441) | (24,298) | (6,686) | (6,531) | (3,020) | (3,268) |
| Income (loss) before provision for income taxes, discontinued operations and cumulative effect of change in accounting principle, net of taxes | 106,956 | 2,437 | 111,387 | (127,361) | 30,177 | 29,072 | 15,432 | 17,181 |
| Provision (benefit) for income taxes | 42,055 | 953 | 44,508 | (48,525) | 11,496 | 11,537 | 5,906 | 6,519 |
| Income (loss) before discontinued operations and cumulative effect of change in accounting principle, net of taxes | 64,901 | 1,484 | 66,879 | (78,836) | 18,681 | 17,535 | | |
| Discontinued operations, net of taxes | 2,183 | (1,652) | 4,405 | 68,440 | | | | |
| Cumulative effect of change in accounting principle, net of taxes | | | 156 | | | | | |
| **Net income (loss)** | $ 67,084 | $ (168) | $ 71,440 | $ (10,396) | $ 18,681 | $ 17,535 | $ 9,526 | $ 10,662 |
| **Earnings per share:** | | | | | | | | |
| **Basic** | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Income (loss) before discontinued operations and cumulative effect of change in accounting principle, net of taxes | $ 1.30 | $ 0.03 | $ 1.34 | $ (1.58) | $ 0.37 | $ 0.35 | $ 0.19 | $ 0.21 |
| Discontinued operations | $ 0.04 | $ (0.03) | $ 0.09 | $ 1.37 | $ | $ | $ | $ |
| Cumulative effect of change in accounting principle | $ | $ | $ | $ | $ | $ | $ | $ |
| **Net income (loss)** | $ 1.34 | $ | $ 1.43 | $ (0.21) | $ 0.37 | $ 0.35 | $ 0.19 | $ 0.21 |

| | Predecessor For the Years Ended December 31, 2001 | 2002 | 2003 | 2004 | For the Six Months Ended June 30, 2005 | Successor For the Six Months Ended December 31, 2005 | Successor For the Three Months Ended March 31, 2006 | Predecessor For the Three Months Ended March 31, 2005 |
|---|---|---|---|---|---|---|---|---|
| | (In thousands, except per share amounts) | | | | | | | |
| **Diluted** | | | | | | | | |
| Income (loss) before discontinued operations and cumulative effect of change in accounting principle, net of taxes | $ 1.30 | $ 0.03 | $ 1.33 | $ (1.58) | $ 0.37 | $ 0.35 | $ 0.19 | $ 0.21 |
| Discontinued operations | $ 0.04 | $ (0.03) | $ 0.09 | $ 1.37 | $ | $ | $ | $ |
| Cumulative effect of change in accounting principle | $ | $ | $ | $ | $ | $ | $ | $ |
| **Net income (loss)** | $ 1.34 | $ | $ 1.42 | $ (0.21) | $ 0.37 | $ 0.35 | $ 0.19 | $ 0.21 |
| **Weighed average shares outstanding:** | | | | | | | | |
| **Basic** | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,003 | 50,121 | 50,000 |
| **Diluted** | 50,160 | 50,000 | 50,160 | 50,000 | 50,160 | 50,189 | 50,355 | 50,160 |
| **Balance Sheet Data** | | | | | | | | |
| Property and equipment, net(4) | $ 830,092 | $ 822,271 | $ 830,390 | $ 606,520 | $ | $ 935,936 | $ 950,640 | $ 608,758 |
| Assets of discontinued operations | $ 99,160 | $ 96,990 | $ 111,254 | $ | $ | $ | $ | $ |
| Total assets | $ 975,199 | $ 940,619 | $ 990,893 | $ 656,528 | $ | $ 1,119,269 | $ 1,111,704 | $ 653,273 |
| Long-term debt, less current maturities | $ | $ 684 | $ 507 | $ | $ | $ 240,000 | $ 240,000 | $ |
| Owner s net investment/stockholders equity | $ 162,575 | $ 162,407 | $ 233,847 | $ 223,451 | $ | $ 715,423 | $ 757,089 | $ 234,113 |
| **Net cash provided by (used in) continuing operations:** | | | | | | | | |
| Operating activities | $ 185,935 | $ 50,303 | $ 152,407 | $ 121,182 | $ 59,379 | $ 63,744 | $ 41,015 | $ 40,883 |
| Investing activities | $ (666,795) | $ (61,398) | $ (62,132) | $ (53,933) | $ (30,645) | $ (943,246) | $ (36,189) | $ (17,232) |
| Financing activities | $ 472,208 | $ (5,145) | $ (71,498) | $ (71,646) | $ (27,239) | $ 979,226 | $ (799) | $ (23,136) |
| **Other Financial Data (Unaudited)** | | | | | | | | |
| Working capital (deficit)(1) | $ (550,591) | $ (537,828) | $ (466,039) | $ (240,508) | $ | $ 65,423 | $ 88,808 | $ (229,546) |
| Purchases of property and equipment | $ 684,537 | $ 79,213 | $ 102,700 | $ 68,386 | $ 32,202 | $ 942,300 | $ 38,574 | $ 18,233 |
| **Reconciliation of Non-GAAP Financial Data(3)** | | | | | | | | |
| EBITDA from continuing operations calculation is as follows: | | | | | | | | |
| Net income (loss) | $ 67,084 | $ (168) | $ 71,440 | $ (10,396) | $ 18,681 | $ 17,535 | $ 9,526 | $ 10,662 |
| Cumulative effect of change in accounting principle, net of taxes | | | (156) | | | | | |
| Income from discontinued operations, net of tax(2) | (2,183) | 1,652 | (4,405) | (68,440) | | | | |
| Income (loss) from continuing operations | 64,901 | 1,484 | 66,879 | (78,836) | 18,681 | 17,535 | $ 9,526 | $ 10,662 |
| Interest (income) expense with affiliates, net | (2,025) | 23,312 | 19,050 | 28,034 | 6,995 | | | |
| Interest expense, net | | | | | | 8,216 | 2,995 | 3,364 |
| Other interest (income) expense, net | | 394 | (62) | (726) | (516) | (1,837) | | |
| Income tax provision (benefit) | 42,055 | 953 | 44,508 | (48,525) | 11,496 | 11,537 | 5,906 | 6,519 |
| Income (loss) before interest and taxes | 104,931 | 26,143 | 130,375 | (100,053) | 36,656 | 35,451 | 18,427 | 20,545 |
| Other (income) expense, net | (8,830) | 3,115 | (547) | (3,010) | 207 | 152 | 25 | (96) |
| Operating income | 96,101 | 29,258 | 129,828 | (103,063) | 36,863 | 35,603 | 18,452 | 20,449 |
| Depreciation, depletion and amortization | 52,590 | 64,109 | 72,766 | 81,590 | 30,679 | 40,500 | 24,067 | 15,124 |
| EBITDA from continuing operations | $ 148,691 | $ 93,367 | $ 202,594 | $ (21,473) | $ 67,542 | $ 76,103 | $ 42,519 | $ 35,573 |

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(1) Working capital deficit includes $127 million, $444 million, $528 million and $492 million of notes payable to affiliates for the years ended December 31, 2004, 2003, 2002 and 2001 (predecessor), respectively.

(2) Represents the sale of the San Juan Basin New Mexico assets and the Piceance Basin Colorado assets in 2004.

(3) EBITDA from continuing operations is calculated as net income or loss excluding income taxes, cumulative effect of change in accounting principle, net interest expense, other income, depreciation, depletion and amortization, and income from discontinued operations. It does include an impairment charge of $202.1 million, $2.9 million and $6.0 million for the years ended December 31, 2004, 2003 and 2002 (predecessor) respectively. We believe that EBITDA from continuing operations is a financial indicator commonly used by analysts and is used by them as a basis for evaluating us with our peers. We use EBITDA from continuing operations as a performance measure such as a multiple for valuation purposes of our company and the oil and gas industry as a whole. EBITDA from continuing operations should not be considered in isolation or as a substitute for net income, operating income, and net cash provided by operating activities or any other measure of financial performance presented in accordance with generally accepted accounting principles or as a measure of a company s profitability or liquidity.

(4) For the six months ended December 31, 2005 (successor), purchases of property and equipment include $910 million related to the acquisition of the oil and gas business of Calpine.

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## HISTORICAL UNAUDITED PRO FORMA FINANCIAL DATA

The following unaudited pro forma statement of operations for the year ended December 31, 2005 has been prepared based on the historical consolidated/combined statements of operations of Rosetta Resources Inc. for the six months ended December 31, 2005 (successor) and the six months ended June 30, 2005 (predecessor) incorporated herein by reference, to reflect the acquisition of Calpine s domestic oil and natural gas business, the private equity offerings completed in July 2005, borrowings under our credit facilities and related assumptions set forth in the accompanying footnotes.

On July 7, 2005, we acquired the oil and natural gas business of Calpine for approximately $910 million. The Acquisition was funded with the issuance of common stock totaling $725 million and borrowings of $325 million under our credit facilities. Our credit facilities, as amended, consist of a four-year senior secured revolving line of credit of up to $400 million and a five-year $75 million senior second lien term loan. The revolving line of credit, as amended, provides for a borrowing base of $325 million subject to certain adjustments and hedging requirements. To secure the borrowings, we have pledged 100% of the equity of our domestic subsidiaries, caused such subsidiaries to guarantee such debt and have provided mortgages covering approximately 80% of the total present value of our proved reserves.

At the time of the acquisition, we did not obtain required third party consents or waivers of preferential purchase rights necessary in order to affect transfer of title for certain properties. At July 7, 2005, we withheld from Calpine $75 million of the purchase price with respect to these properties. These funds are held by us and despite Calpine s bankruptcy filing management believes that it remains highly likely that conveyance of these properties will occur. Upon conveyance, such additional purchase price will be paid to Calpine, and will be incremental to the preliminary purchase price of $910 million. However, we have excluded the results of operations for these properties from our pro forma financial data for the year ended December 31, 2005. If the assignment of these properties does not occur, the portion of the purchase price we held back pending obtaining consent of these properties will be available to us for general corporate purposes or to acquire other properties.

The unaudited pro forma statement of operations for the year ended December 31, 2005 assumes the acquisition of Calpine s domestic oil and natural gas business and the related financings occurred on January 1, 2004. We believe the assumptions used provide a reasonable basis for presenting the significant effects directly attributable to such transactions. The unaudited pro forma financial statements do not purport to represent what our results of operations would have been if such transactions had occurred on such date. These unaudited pro forma financial statements should be read in conjunction with the historical consolidated/combined financial statements of Rosetta Resources Inc.(successor and predecessor), included in our Annual Report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference in this prospectus.

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| | Successor Six months ended December 31, 2005 | Predecessor Six months ended June 30, 2005 | Pro Forma Adjustments | Pro Forma Historical(m) |
|---|---|---|---|---|
| | | (In thousands, except per share data) | | |
| Revenues: | | | | |
| Oil sales | $ 11,046 | $ 8,166 | $ (139)(g) | $ 19,073 |
| Natural gas sales | 102,044 | 13,637 | 72,657 (a)(g) | 188,338 |
| Natural gas sales to affiliate | | 81,952 | (81,952)(a) | |
| Other revenue | 14 | 76 | | 90 |
| Total revenue | 113,104 | 103,831 | | 207,501 |
| Costs and expenses: | | | | |
| Lease operating expense | 15,674 | 16,629 | (1,129)(g) | 31,174 |
| Production taxes | 3,975 | 2,755 | (59)(g) | 6,671 |
| Depreciation, depletion and amortization | 40,500 | 30,679 | 8,636 (b)(g) | 79,815 |
| Exploration and dry hole costs | | 4,317 | (4,317)(b) | |
| Treating and transportation costs | 2,665 | 1,998 | 815 (a)(g) | 5,478 |
| Affiliated marketing fees | | 913 | (913)(a) | |
| General and administrative costs | 14,687 | 9,677 | (e) | 24,364 |
| Total costs and expenses | 77,501 | 66,968 | | 147,502 |
| Operating income | 35,603 | 36,863 | | 59,999 |
| Other income expense: | | | | |
| Interest income expense, net | 6,379 | 6,479 | 3,361 (c)(b) | 16,219 |
| Other income expense, net | 152 | 207 | | 359 |
| Total other income expense | 6,531 | 6,686 | | 16,578 |
| Income before provision for income taxes | 29,072 | 30,177 | | 43,421 |
| Provision for income taxes | 11,537 | 11,496 | (6,049)(d) | 16,984 |
| Net income | $ 17,535 | $ 18,681 | | $ 26,437 |
| Earnings per share | | | | |
| Basic | $ 0.35 | $ 0.37 | | $ 0.53 |
| Diluted | $ 0.35 | $ 0.37 | | $ 0.53 |
| Weighted average shares outstanding: | | | | |
| Basic | 50,000(f) | 50,000(f) | | 50,000(f) |
| Diluted | 50,160(f) | 50,160(f) | | 50,160(f) |

(a) Adjustment to reflect change of the relationship from affiliates to non-affiliates due to the Acquisition.

(b) Adjustment to reflect depreciation, depletion and amortization using the unit of production method under the full cost method of accounting, as calculated using the new fair market value assigned to property and equipment. Under the full cost method, all costs incurred in exploring for, acquiring, and developing oil and natural gas properties are capitalized to a full cost pool, whether or not the activities to which they apply are successful, inclusive of exploration and dry hole costs. Internal general and administrative costs are also capitalized if they can be directly identified with acquisition, exploration and development activities and certain indirect costs related to general corporate overhead or similar activities.

(c) Adjustment to reflect interest on our senior secured revolving credit facility and second lien term loan based on LIBOR of 3.10%. This rate is based on the average actual LIBOR rate for the six months ended June 30, 2005 (predecessor). This rate was used for calculating pro forma interest expense for the six months ended

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June 30, 2005 compared to the actual LIBOR rate ranging from 1.125% to 3.13% for the same period. During the periods covered by these unaudited pro forma combined financial statements, the senior secured revolving credit facility bore interest at 2.125% over the LIBOR rate and the second lien term loan bore interest at 5.00% over the LIBOR rate. For every 1/8 percent change in the interest rate for these borrowings, interest expense for the twelve months ended December 31, 2005 would change by approximately $0.3 million.

(d) Adjustment to reflect a provision for income taxes based on the Pro Forma Financial Statements at the statutory rate of 38.1% at June 30, 2005.

(e) Expense amounts in our combined historical financial statements are based on stock based compensation granted to our employees by Calpine. Stock options are granted at an option price equal to the quoted market price at the date of the grant or award, In 2002, Calpine applied the intrinsic method pursuant to Accounting Standards Board Opinion No. 25 ( APB ), Stock Issued to Employees , whereby no compensation expense was recorded in the 2002 combined financial statements as the stock options were granted at an exercise price equal to the fair market value of Calpine s stock on the date of the grant.

On January 1, 2003, Calpine prospectively adopted using the fair market value method of accounting for stock based employee compensation pursuant to SFAS No. 123, Accounting for Stock Based Compensation as amended by SFAS No 148, Accounting for Stock-Based Compensation-Transition and Disclosure . Rosetta adopted the intrinsic value method of accounting for stock options effective July 1, 2005, and prospectively adopted the guidance for stock based compensation under SFAS 123(R) effective January 1, 2006.

This adjustment reflects issuance of common stock resulting from the Acquisition and future vesting of options on common stock as accounted for under the APB, whereby no compensation expense is recognized in the period that the grants were awarded, as the option price was equal to the market price at the date of grant of the award. The stock options outstanding and the related obligations were retained by Calpine in the Acquisition.

(f) The weighted average shares outstanding for computing basic earnings per share were 50,000,000 shares for the year ended December 31, 2005. The weighted average shares outstanding from computing diluted earnings per share were 50,160,481 for the year ended December 31, 2005.

| | |
|---|---|
| Weighted average number of common shares outstanding: | |
| Basic | 50,000,000 |
| Effect of dilution: | |
| Stock options | 31,176 |
| Restricted stock | 129,305 |
| Weighted average number of common and potential common shares Diluted | 50,160,481 |

(g) This adjustment reflects the elimination of results of operations for properties which require third party consents or waivers of preferential purchase rights necessary in order to affect transfer of title. At July 7, 2005, we retained $75 million of the purchase price with respect to these properties. These funds are held by us and, as a result of Calpine s bankruptcy filing, it remains uncertain if and when this will occur. Consequently, we have excluded the results of operations for these properties from our pro forma financial data for the year ended December 31, 2005. If the assignment of these properties does not occur, the portion of the purchase price we held back pending obtaining consent will be available to us for general corporate purposes or to acquire other properties.

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## DESCRIPTION OF SEPARATION FROM CALPINE

### Overview

Prior to our separation from Calpine on July 7, 2005, the domestic oil and natural gas business purchased by Rosetta from Calpine was wholly owned by Calpine. Rosetta was formed by Calpine in June 2005 to acquire all of Calpine s domestic oil and natural gas business and engage in a sale of all its equity to investors to fund a large portion of the purchase price. We acquired Calpine s domestic oil and natural gas business in a series of steps in which we acquired subsidiaries of Calpine that owned the domestic oil and natural gas business. For federal income tax and financial accounting purposes, we have treated the Acquisition as an asset purchase. Accordingly, we have stepped up the tax basis and book basis of the purchased assets to the purchase price. This basis has been allocated among the assets acquired and liabilities assumed based on their fair market values.

The structure of the transaction was determined by senior management of Calpine and did not directly involve any current members of Rosetta s management team. During this process, Calpine did consult with certain members of Rosetta s management, as necessary. Thus, prior to the sale of 100% of the equity of Rosetta to a group of sophisticated investors on July 7, 2005, Rosetta was wholly owned and controlled by Calpine, and, accordingly, the terms of the purchase agreement, as well as the terms of the related Rosetta equity offering, were determined by Calpine at the direction of its senior management and with the advice of Calpine s various outside advisors, including advice as to market terms provided by Friedman, Billings, Ramsey & Co., Inc., investment bankers ( FBR ), as initial purchaser of, and placement agent for, Rosetta s equity.

A primary objective of Calpine in selling its domestic oil and natural gas business was to maximize its proceeds from the sale of the business and utilize the proceeds to reduce Calpine s indebtedness and for other corporate purposes. The equity interests in Rosetta, which provided a large portion of the funds to complete the Acquisition, were purchased by sophisticated investors who conducted, directly and through their advisors, substantial due diligence as to Rosetta and the business we acquired from Calpine. Management of Rosetta, while not directly involved in negotiations for the sale of the business, was advised that Calpine pursued a number of opportunities to sell the business, and ultimately determined that the structure by which Rosetta was formed and funded produced the best return available to Calpine.

Calpine s secured lenders, who held mortgage liens on the domestic oil and natural gas properties, voluntarily released their liens against the business acquired by Rosetta on July 7, 2005, so that Rosetta could acquire the business free and clear of all liens in favor of those secured creditors. Rosetta was thus able to provide a new first lien to its new secured, independent creditors at closing. Although Rosetta s management was not involved in all of the actions and decisions made by Calpine in this process, Rosetta believes Calpine followed customary procedures and received appropriate advice in coming to the conclusion that the transaction with Rosetta was the most appropriate way to receive the best value at the time for the domestic oil and natural gas business. In addition, Calpine represented to Rosetta that it was solvent at the time of the sale of the business to Rosetta.

Management of Rosetta believes that the price paid by Rosetta for the business acquired from Calpine was set primarily by market forces, as further discussed below. The structure of the transaction, as presented to the sophisticated investors, was that the investors would acquire 100% of the equity of Rosetta, which would include specified, disclosed properties and assets being acquired by Rosetta from Calpine, subject to specific, disclosed secured indebtedness of $325 million. Thus, through market action, in a process similar to the establishment of a market price for equities in a public offering of equity, management of Rosetta believes that the price for the Rosetta equity, and thus the purchase price for Calpine s domestic oil and natural gas business now owned by Rosetta, was negotiated at arm s length between senior management of Calpine, the sophisticated investors, and FBR as the initial purchaser and placement agent of Rosetta s equity.

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In connection with the transaction, we entered into several agreements with Calpine or Calpine s subsidiaries, including transition agreement and natural gas contracts. Descriptions of these agreements are discussed below.

**Structuring the Acquisition Transaction**

Before making a final decision on the structure or price of the Acquisition, Calpine marketed its domestic oil and natural gas business to potential purchasers over a period of months and considered a number of alternatives to maximize its financial return from the properties. After conducting this process and following consultations with its financial advisors Calpine ultimately concluded that the structure that would generate the highest and best sales price for the properties was through the sale of 100% of the equity of a newly created subsidiary that would own the properties, that new subsidiary being Rosetta. The Acquisition was structured as a sale by Calpine of its 100% equity interest in Rosetta, and the consummation at closing of a series of agreements with Rosetta pursuant to which Rosetta agreed to pay Calpine the net proceeds of the sale of all of Rosetta s equity interests in a private offering to a large group of qualified institutional buyers, plus $325 million in proceeds received from debt financing by Rosetta. In connection with the sale of the equity, Calpine agreed at closing to contribute all of its domestic oil and natural gas business to Rosetta. The net effect of the structure of the transaction was that the purchase price paid to Calpine for the properties was established through the market mechanisms inherent in the offering of the equity of Rosetta. In effect, the purchasers of the equity, who were sophisticated investors acting of their own free will, established the purchase price ultimately received by Calpine. Calpine was under no commitment to transfer the properties to Rosetta or sell the equity until the pricing and closing of the equity offering. Accordingly, Calpine was able to continue to seek the highest price obtainable for these assets up to the date of closing, at whatever means would maximize its return on the properties. Ultimately, Calpine determined after consultation with its various financial and other advisors, its management and its Board of Directors, that the transfer to Rosetta and the proceeds from the sale of Rosetta s equity along with $325 million in proceeds received from debt financing by Rosetta, as outlined above, resulted in the best price obtainable by Calpine for these assets.

Calpine was first introduced to this structure by FBR in February 2005 as one of the potential forms of transaction for Calpine to realize the value in its domestic oil and natural gas business. From February 2005 until closing on July 7, 2005, Calpine, its management and financial advisors continued to explore various alternative options to the Acquisition. Calpine and Rosetta subsequently engaged FBR to complete Rosetta s equity offering and the Acquisition.

After determining that Rosetta could obtain financing of $375 million with respect to the properties, management of Rosetta and Calpine agreed that the debt proceeds to be paid to Calpine would be set at $325 million, leaving $50 million, together with the net proceeds from the production and sale of hydrocarbons from the properties from May 1, 2005 through the date of closing, as working capital for Rosetta going forward . Based on its prior marketing efforts and in discussions with its financial advisors, Calpine sought a minimum gross proceeds from the sale of the properties of $1 billion, before expenses and closing adjustments but after underwriter s discount,. Immediately prior to the closing of the Acquisition, the gross proceeds from Rosetta s sale of common stock and from the issuance of indebtedness equaled $1.05 billion, which was used to complete the Acquisition and to pay for closing costs and expenses. Additionally, Rosetta withheld from Calpine approximately $75 million for properties not transferred at the initial closing on July 7, 2005, which were intended to be transferred at a subsequent closing upon receipt of record legal title. Calpine s recent bankruptcy has caused a delay in closing these subsequent transfers. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for a description of our credit facilities utilized to complete the transaction.

To effect the equity placement, Calpine and Rosetta prepared appropriate offering documents to provide to potential investors. The offering documents included a full description of the properties Rosetta would acquire as well as the modified roll forward sensitivity estimates prepared by Netherland, Sewell & Associates, Inc., at

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April 30, 2005, for the oil and natural gas properties and the debt structure and amount of debt proceeds to be paid to Calpine at closing. The marketing of the Rosetta equity was directed to sophisticated and knowledgeable investors with substantially all the shares being purchased by qualified institutional buyers who own and invest a minimum of $100 million in securities of unaffiliated issuers and non-US purchasers. All potential investors were provided an opportunity to participate in road show presentations, which included members of management of Rosetta, and the opportunity to ask questions concerning the Acquisition and to have access to and review any additional information regarding the properties and the terms of the Acquisition. Several of the investors, including some of the large investors in Rosetta, participated in due diligence meetings in both Denver, Colorado and Houston, Texas along with key members of Rosetta s management.

Following an extensive offering process and in response to subscriptions of significant, sophisticated investors, Calpine and Rosetta accepted an offering price of $16 per share of stock, or a gross aggregate of $725 million. The proceeds of the equity offering, after deducting certain agreed closing payments and adjustments, together with $325 million of debt proceeds, were paid by Rosetta to Calpine to complete the obligations relating to the transfer of the oil and natural gas properties to Rosetta.

We believe that the process followed in the transfer by Calpine of its domestic natural gas and oil business as described above resulted in Calpine receiving fair value for its properties. The process included a number of financial advisors for Calpine and was a process conducted over several months, with a wide range of options, including asset sales in total or by region to one or more third party purchasers, pursued to achieve the highest available price at that time for the assets. The structuring of the process and the establishment of the purchase price pursuant to which we acquired the business were designed, in large measure, to permit market forces, between a sophisticated corporate seller and sophisticated institutional buyers, to establish a fair price, based on thorough knowledge by both the purchasers and the seller of all material facts and circumstances, the knowledge of prices being paid in comparable transactions and the equal knowledge of the pricing and prospects for oil and gas activities at that time. Following the date of the Acquisition, commodity prices for oil and natural gas had risen as of December 31, 2005. However, in 2006, commodity prices for oil and natural gas have subsequently declined. The standard for determining the fair value of the transaction requires that the fair value be determined at the date of the transaction and not based on unforeseeable and possible unsustainable spikes and or fluctuations in commodity prices. We are confident that a fair value for our transaction both at the effective date and the closing date was achieved for all the reasons set out above.

**Calpine Bankruptcy**

On December 20, 2005, Calpine and certain of its subsidiaries, including Calpine Fuels, filed for federal bankruptcy protection in the Southern District of New York. The filing raises certain concerns regarding aspects of our relationship with Calpine which we will closely monitor as the Calpine bankruptcy proceeds. Following are our principal areas of concern:

- The bankruptcy court may challenge the fairness of our acquisition. For a number of reasons, including the process which Calpine followed in allowing market forces to set the purchase price for the acquisition, we believe that it is unlikely that any challenge to the fairness of our acquisition would be successful.

- The bankruptcy proceeding may prevent, frustrate or delay our ability to receive record legal title to certain properties originally determined to be non-consent properties which we are entitled to obtain under our purchase and sale agreement with Calpine and certain subsidiaries.

- Additionally, the bankruptcy proceeding may prevent, frustrate or delay our ability to receive corrective documentation from Calpine for certain properties which we bought from Calpine and paid for, where the documentation delivered by Calpine was incomplete, including documentation related to certain ministerial governmental approvals.

- Calpine may stop purchasing gas from us under our gas purchase contract with Calpine. Since the date of the bankruptcy filing, Calpine has continued buying natural gas from us and paying for it timely.

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The bankruptcy court for Calpine, as debtor-in-possession, has given approval to continue payments to us for our delivery of natural gas under our gas purchase and sale agreement. Under the terms of this contract, we are entitled to sell this gas to third parties at comparable prices and terms if this occurs and expect to be able to minimize our exposure to four days of sales under the contract, or approximately $1.5 million in lost sales at production rates and prices as of March 31, 2006.

Calpine may stop providing us certain services, including natural gas marketing services and pipeline services, which Calpine, through separate subsidiaries, currently provides to us. Management does not believe that cessation of these services would have a material impact on our operations.

As to all of these matters, see also Risk Factors Risks Relating to Our Business Calpine s recent bankruptcy filing may adversely affect us in several respects beginning on page 17 of our Annual Report on Form 10-K for the year ended December 31, 2005 as well as the Management, Discussion and Analysis of Financial Condition and Results of Operations in the 10-Q for the three months ended March 31, 2006 for a further discussion of the potential risks relating to Calpine s bankruptcy. We have engaged bankruptcy counsel to monitor this proceeding and advocate our interests as necessary and have initiated plans to mitigate the operational risks presented by the Calpine bankruptcy.

We believe the structure of the equity offering of our common stock and the process followed by Calpine allowed market action to determine the $1.05 billion in proceeds, before fees and expenses, received by Calpine in the acquisition. Senior management of Calpine, in consultation with its various advisors, structured the acquisition and the private issuance of our common stock to fund the acquisition. Our equity was purchased by sophisticated investors knowledgeable in oil and natural gas transactions.

**Purchase and Sale Agreement**

In order to consummate the Acquisition with Calpine, we entered into a purchase and sale agreement with Calpine, Calpine Natural Gas Holdings LLC (an entity formed as the holding company for several of the entities acquired from Calpine; CGH ) and Calpine Fuels Corporation ( Calpine Fuels ) to acquire all of the equity interests of Calpine s indirect subsidiaries that owned substantially all of Calpine s domestic oil and natural gas properties. In connection with the purchase of the entities, we agreed that the purchased entities would assume or continue to be responsible for the liabilities and obligations arising from Calpine s domestic oil and natural gas business, except for certain liabilities expressly retained by Calpine and its affiliates. The liabilities retained by Calpine include obligations relating to sales of oil and natural gas to its affiliates before the May 1, 2005 effective date of the Acquisition and liabilities of Calpine and its subsidiaries that are not related to the businesses of the purchased entities.

Additionally, the purchase and sale agreement provided that Calpine retain all oil and natural gas properties that were not transferred because consents for their transfer were not received at the time of the Acquisition. We and Calpine agreed to use our commercially reasonable efforts to obtain the consents necessary to allow the transfer of the retained properties and, if the consents are received for the retained properties during the six months following the July 2005 closing, we will purchase the retained properties at their allocated values under the purchase and sale agreement as adjusted for any income or expenses relating to the retained properties during the period from the effective date until the transfer of the retained properties. Under the transition services agreement, we agreed to operate the retained properties for a period of up to two years following the July 7, 2005 closing. Although the purchase and sale agreement affords for a conveyance once monthly for those retained properties for which consents have been received in the interim, we had mutually agreed to an initial conveyance of retained properties in the fourth quarter of 2005 and subsequent conveyance(s) at such times thereafter as such consents are obtained. At each such conveyance, Calpine would deliver partial releases from its lenders and indenture holders will convey all corresponding retained properties in exchange for such allocated values as adjusted. Because of Calpine s bankruptcy filing in December 2005, Calpine has not completed these additional closing and subsequent conveyances. See Business Transfers Pending at Calpine s Bankruptcy in our Annual Report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference. Prior to the Calpine bankruptcy filing, we were ready to close a significant percentage of these outstanding properties.

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The purchase and sale agreement contains cross-indemnities that make us responsible for certain liabilities (excepting those liabilities for royalties, employee matters, taxes and scheduled litigation retained by Calpine and other sellers) from the current and historical operations of the purchased companies regardless of when those liabilities arise, and allocate responsibility for liabilities from the other operations of Calpine, CGH or Calpine Fuels to those companies. The purchase and sale agreement also contains indemnification provisions under which we, on the one hand, and, Calpine, CGH and Calpine Fuels, on the other hand, indemnify each other with respect to breaches by the indemnifying party of the purchase and sale agreement. We agreed to indemnify Calpine, CGH and Calpine Fuels for any liabilities arising from misstatements or omissions in the various offering documents for this offering, including this prospectus, except for information regarding Calpine, CGH and Calpine Fuels provided by those companies for inclusion in those documents. Calpine, CGH and Calpine Fuels agreed to indemnify us against liabilities arising from misstatements or omissions in the various offering documents for this offering, including this prospectus to the extent such liabilities arise from information regarding Calpine and its affiliates that is provided by them for inclusion in the offering documents. Calpine s recent bankruptcy may affect or preclude our ability to enforce our indemnification rights.

In connection with the transfer and assumption agreement and purchase and sale agreement, we assumed the liabilities for two alleged underpaid royalty claims involving Calpine s domestic oil and gas business that we acquired in the Acquisition, the Killam & Hurd claim, which has been partially settled (however Calpine s recent bankruptcy may affect this partial settlement), and the J.C. Martin, III claim, which we believe is immaterial. Calpine retains liability for all other scheduled claims and litigation. In the Acquisition, we acquired Calpine Natural Gas L.P. (since renamed Rosetta Resources Operating LP), which is a named party to two remaining scheduled claims and litigation. Calpine is indemnifying us for any liability and is providing our defense in connection with these scheduled claims and litigation. Calpine s recent bankruptcy may affect or preclude our ability to enforce our indemnification rights. We have otherwise assumed responsibility for litigation and claims arising out of the normal course of Calpine s oil and gas business that we acquired in the Acquisition. For environmental matters, we do not have any indemnity from Calpine for events occurring prior to closing.

Except for certain excluded items and retained liabilities, Calpine, Calpine Fuels and CGH agreed to indemnify us only to the extent the indemnified losses exceed $10 million in the aggregate. We are restricted from making any claim for indemnification to the extent a single claim is less than $50,000; however, those claims are accumulated in determining whether we have reached the $10 million limitation. Except for certain excluded items and retained liabilities, Calpine s, Calpine Fuels and CGH s obligation to indemnify us is limited to a maximum aggregate liability of $100 million. Except for certain items, we are obligated to indemnify Calpine, Calpine Fuels, CGH and their affiliates only to the extent the indemnified losses exceed $10 million in the aggregate and any individual claim exceeds $50,000 (provided that any claim below that amount will be accumulated to determine whether the $10 million limitation has been reached). There is no limitation on our maximum liability for indemnification.

The purchase and sale agreement contains a general release under which we release Calpine, CGH, Calpine Fuels and their affiliates, successors and assigns, and Calpine, CGH and Calpine Fuels release us, from any liabilities arising from events between us on the one hand, and Calpine, CGH and Calpine Fuels on the other hand, occurring on or before the closing of the transactions under the purchase and sale agreement, including events in connection with activities to implement this offering. The general release does not apply to obligations under the purchase and sale agreement or any ancillary agreement, to liabilities transferred to us or retained by Calpine, CGH or Calpine Fuels, to future transactions between us, on the one hand, and Calpine, CGH and Calpine Fuels, on the other hand, or to other specified contractual arrangements.

**Transfer and Assumption Agreement**

Prior to our purchase of Calpine s oil and natural gas business, Calpine transferred domestic oil and natural gas properties that it directly owned, including related rights, benefits, duties and obligations, to newly formed subsidiaries. The transactions were addressed in a transfer and assumption agreement and were closed

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immediately prior to the closing of the Acquisition under the purchase and sale agreement. The transferred properties included oil and natural gas leases, wells, related equipment (including gathering systems), all hydrocarbons, contracts, permits, rights-of-way, easements, geological and geophysical data, all lease, land, division order files (including any abstracts of title, title opinions, certificates of title, and title curative documents), applicable contracts and all well and production files.

Calpine requested waivers of the preferential rights to purchase and consents to assignment for certain of the properties and other related assets transferred to the newly formed entities. However, Calpine was unable to obtain a number of these waivers and consents. With regard to the preferential purchase rights, the parties proceeded with the transfer of the properties subject to the preferential rights. For those preferential rights properly exercised, we will consummate the preferential purchase and will receive applicable proceeds from the sale of the applicable properties. For the properties that Calpine did not obtain a waiver of a consent to transfer, those properties were excluded from the transferred properties and retained by Calpine.

**Transition Services Agreement**

We entered into a transition services agreement with Calpine, Calpine Fuels and Calpine Natural Gas L.P. (since renamed Rosetta Resources Operating LP). The transition services agreement provides that Calpine, as an independent contractor, would make available to us the following services, as and to the extent actually requested by us:

- payment of accounts payable, collection of accounts receivable, general ledger and financial reporting activities, cash management, and financial control systems;
- computer and information systems and resources necessary to manage and operate the contributed properties and to facilitate the transfer of data to us;
- legal and regulatory advisory services, other than entering into arrangements or making filings with any governmental authority on our behalf; and
- consulting services for the construction and permitting of our natural gas gathering systems.

We pay Calpine a monthly fee for the level of services that we require. We are providing our own legal operations, accounting, and treasury functions and have our own systems, including computer and information systems and services. Consequently, we have reduced the monthly fee for services under the transition services agreement. The only services Calpine provides to us are pipeline services. Calpine is not liable to us, and we agreed to indemnify Calpine with respect to the services, including loss arising out of or in connection with the negligence of Calpine or for which Calpine would be strictly liable, except in the case of gross negligence or willful misconduct of Calpine. Calpine has agreed to indemnify us for any liabilities arising from its gross negligence or misconduct.

The transition services agreement has a general term of one year. However, provisions of the agreement relating to our obligation to provide services to operate the properties retained by Calpine will remain in effect for two years.

Since the date of the Calpine bankruptcy, we have continued to receive pipeline services at generally the same level as we previously have. If necessary, after failure of Calpine to cure any deficiencies that may occur, we will replace these services by engaging third parties or undertake these functions in-house and believe we can do so without any significant effect on our costs or our operations.

**Service Agreement**

We entered into a marketing and services agreement with Calpine Producer Services, L.P. ( CPS ) for the period through June 30, 2007. The agreement covers all our current and future production during the term of the

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agreement. CPS will provide services related to the sale of our production including nominating, scheduling, balancing and other customary marketing services and will assist us with volume reconciliation, well connections, credit review, training, severance and other similar taxes, royalty support documentation, contract administration, billing, collateral management, and other administrative functions. All CPS activities will be performed as agent and on our behalf, and under our control and direction. The fee payable by us under the agreement is based on net proceeds of all commodity sales multiplied by 0.75%. At current prices and volumes the fee is approximately $1.9 million per year. We can request a reduction in the fee if our volume increases to 130,000 MMBtu per day and 190,000 MMBtu per day to 0.625% and 0.50% respectively. The service agreement provides that all contracts, agreements, collateral and funds related to the marketing and sales activity be contracted directly with us or our designee, and paid directly to us. This agreement permits either party to audit the other s financial information or records to determine any compensation paid or owed, and to audit the prices negotiated by CPS on our behalf to confirm that we are receiving market pricing and that the various deductions are appropriate.

Since the date of the Calpine bankruptcy, we have continued to receive these services at generally the same level we previously have. If necessary, after failure of Calpine to cure deficiencies that may occur, we will replace these services by engaging third parties or undertake these functions in-house and we believe we can do so without any significant effect on our costs or our operations.

**Gas Purchase and Sale Contract**

We entered into a contract with Calpine Energy Services, L.P. ( CES ), for the sale of all natural gas produced from all of our existing producing leases in production as of May 1, 2005 located in the Sacramento Basin of California, through December 31, 2009. This production comprises approximately 39% of our current overall production based on MMcfe/d and represents approximately 41% of our PV-10 proved property reserve value at December 31, 2005. Under these contracts, we are required to sell but CES is not required to purchase this production.

The price to be paid for the natural gas under the contract is the first of month spot market price defined as the price for natural gas deliveries at the PG&E Citygate as published in *Natural Gas Intelligence Bidweek Survey* less the then effective As Available PG&E Silverado transportation and shrinkage rate as found in the most recent tariff. Payment for the natural gas is due on the 25th day of each month following each month of production. Payments under the contract are collateralized by daily margin payments by Calpine to our collateral account. In the event of a default by Calpine, we could be exposed to the loss of up to four days of natural gas sales revenue, which at March 31, 2006 prices and volumes would be approximately $1.5 million. If payment is not received by the due date or if the obligations are not fully collateralized, we may immediately cease delivering natural gas under the contract and re-sell the natural gas on a spot basis until the default is cured and/or the appropriate security is re-established. If any payment default is paid within 60 days of the default and collateral is re-established, we have agreed to resume deliveries under the contract. If any payment default is not cured within 60 days, we may terminate the contract.

We have no specific volume delivery commitments under the contract but must deliver all of our natural gas that we produce from the covered Sacramento Basin of California leases. If CES refuses to take natural gas, whether at CES option in its sole discretion, because the natural gas fails to meet quality specifications or the occurrence of a force majeure event, we may sell the natural gas to other purchasers in transactions committing our natural gas for up to 30 days at a time, until such time as Calpine is able to accept the natural gas production. If CES does not take natural gas for 120 consecutive days, we have the right to terminate the contract early.

The contract also gives CES a right to match any offer by a third party to purchase all or a portion of the covered Sacramento Basin of California natural gas production, under industry standard terms and conditions with comparable price and credit support for a ten year period after December 31, 2009. Calpine s recent

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bankruptcy may affect Calpine s ability to continue purchasing natural gas from us. If the contract terminates, we will sell to third parties our natural gas at market prices.

**Agreement of Sublease**

Calpine Natural Gas, L.P., which we purchased in the Acquisition, entered into an agreement with Calpine Central, L.P., a subsidiary of Calpine, to sublease approximately 54,816 rentable square feet ( RSF ), which comprise the 27th and 28th floors of the Calpine Center building located in Houston, Texas. This sublease expires on December 14, 2013.

Under the terms of the sublease, we are required to pay the following rents:

annual base rent payable in equal monthly installments in advance on the first day of the month in an amount equal to $18 per RSF; increasing 5% each year starting January 1, 2006;

additional annual rent payable in equal installments in advance on the first day of the month in an amount calculated based on our proportionate share of the property landlord s operating expenses, which payments are estimated to be approximately $3,100 per month; and

an annual management fee equal to three percent of a $26.40 per RSF base rent and additional rent.

**Assignment and Assumption of Lease Agreement**

We entered into an agreement with Calpine for the assignment of a lease for 13,857 square feet of office space in Denver, Colorado. This lease expires December 31, 2008. Under the terms of this assigned lease, we are required to pay the following rents:

annual base rent payable in equal monthly installments in advance on the first day of the month in an amount equal to $22 per square foot; and

additional rent based on a pro rata share of the property landlord s operation expenses, in the amount of approximately $9,644 per month, payable in advance on the first day of the month.

**Employee and Employee Benefits Matters Agreement**

We entered into an agreement with Calpine, Calpine Administrative Services, Inc., CGH and Calpine Fuels at the same time as the purchase and sale agreement to address employee and employee benefits matters. Under this agreement, Calpine, Calpine Administrative Services, Inc., CGH and Calpine Fuels retain responsibility, and indemnify us, for all employment and benefits liabilities and obligations relating to their employees prior to our acquisition of Calpine s oil and natural gas business. However, we assumed Calpine s obligations under the employment agreement between Calpine and Michael J. Rosinski, our chief financial officer, and had the right, but not the obligation, to offer employment to employees of Calpine in its oil and natural gas business. We agreed to indemnify Calpine for all employment and benefit liabilities after the date of employment for any employees that we hired from Calpine, but did not assume any liability relating to their employment or benefits prior to their hiring. Calpine s recent bankruptcy may affect Calpine s, as well as Calpine Administrative Services, Inc. s, CGH s, and Calpine Fuels , ability to fulfill this indemnity obligation.

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## SELLING STOCKHOLDERS

This prospectus covers shares sold in our recent private equity offering to accredited investors as defined by Rule 501(a) under the Securities Act pursuant to an exemption from registration provided in Regulation D, Rule 506 under Section 4(2) of the Securities Act, to qualified institutional buyers, as defined by Rule 144A under the Securities Act, and to non-U.S. persons pursuant to Regulation S under the Securities Act. The selling stockholders who purchased shares from us in the private equity offerings may from time to time offer and sell under this prospectus any or all of the shares listed opposite each of their names below. We are required by our registration rights agreement to register for resale the shares of our common stock described in the table below.

The following table sets forth information about the number of shares owned by each selling stockholder that may be offered from time to time under this prospectus. Certain selling stockholders may be deemed to be underwriters as defined in the Securities Act. Any profits realized by the selling stockholder may be deemed to be underwriting commissions.

The table below has been prepared based upon the information furnished to us by the selling stockholders as of December 15, 2005. The selling stockholders identified below may have sold, transferred or otherwise disposed of some or all of their shares since the date on which the information in the following table is presented in transactions exempt from or not subject to the registration requirements of the Securities Act. Information concerning the selling stockholders may change from time to time and, if necessary, we will amend or supplement this prospectus accordingly. We cannot give an estimate as to the amount of shares of common stock that will be held by the selling stockholders upon termination of this offering because the selling stockholders may offer some or all of their common stock under the offering contemplated by this prospectus. The total number of shares that may be sold hereunder will not exceed the number of shares offered hereby. Please read Plan of Distribution.

We have been advised, as noted below in the footnotes to the table, two of the selling stockholders are broker-dealers and 42 of the selling stockholders are affiliates of broker-dealers. We have been advised that each of such selling stockholders purchased our common stock in the ordinary course of business, not for resale, and that none of such selling stockholders had, at the time of purchase, any agreements or understandings, directly or indirectly, with any person to distribute the common stock. All selling stockholders are subject to Rule 105 of Regulation M and are precluded from engaging in any short selling activities prior to effectiveness.

The following table sets forth the name of each selling stockholder, the nature of any position, office, or other material relationship, if any, which the selling stockholder has had, within the past three years, with us or with any of our predecessors or affiliates, and the number of shares of our common stock owned by such stockholder prior to the offering. We have assumed all shares reflected on the table will be sold from time to time.

| Selling Stockholder | Number of Shares of Common Stock That May Be Sold | Percentage of Common Stock Outstanding |
|---|---|---|
| A&R Agreement of Trust for Joan M. Welsh~DTD 08/31/1990~Joan M. Welsh TTEE(1) | 1,220 | * |
| A. Albinsson & M. Wahlstrom(4) | 6,900 | * |
| A. Bartley Bryt and Maud S. Bryt | 3,500 | * |
| A-Able Transmission Corporate Investment Account(1) | 640 | * |
| ABN Amro Bank(2) | 2,800 | * |
| Adam H. Brown | 1,400 | * |
| Adam H. Brown Article IV Trust(3) | 1,600 | * |
| Adam H. Brown Article V Trust(3) | 700 | * |
| AGS Investments(4) | 2,700 | * |
| AIM Capital Development Fund(5) | 765,100 | 1.51% |
| AIM Dynamics Fund(5) | 1,236,400 | 2.44% |
| AIM Mid Cap Growth Fund(5) | 114,200 | * |
| AIM V.I. Capital Development Fund(5) | 116,100 | * |

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| Selling Stockholder | Number of Shares of Common Stock That May Be Sold | Percentage of Common Stock Outstanding |
|---|---|---|
| AIM V.I. Dynamics Fund(5) | 68,200 | * |
| Alan W. Steinberg, LP(6) | 13,850 | * |
| Albert Sinal, Jr. and Tina Sinal | 6,000 | * |
| Alexis A. Shehata Personal Portfolio(1) | 1,420 | * |
| Alice Cordelia Brown | 9,700 | * |
| Allan and Terry Peck Combined Portfolio | 1,330 | * |
| Allan P. Rothstein | 5,000 | * |
| Amaranth LLC(7) | 80,000 | * |
| American Funds Insurance Series, Asset Allocation Fund(8) | 2,520,000 | 4.98% |
| American Funds Insurance Series, Growth Fund(8) | 1,980,000 | 3.91% |
| Andrea L. Killian Trust~DTD 9/25/97~Andrea L. Kilian TTEE(1) | 150 | * |
| Andrea Pollack 75 Rev Trust(4) | 5,700 | * |
| Andrea Pollack Rev Trust(4) | 8,500 | * |
| Angler Construction Company 401(k) Profit Sharing Plan-Equity(1) | 300 | * |
| Anita L. Rankin Revocable Trust U/A DTD 4/28/1995~Anita L. Rankin TTEE(1) | 350 | * |
| Anitia T. Loehmann Charitable Trust(3) | 300 | * |
| Ann Cox Bartram Trust(3) | 3,500 | * |
| Ann K. Miller Personal Portfolio(1) | 5,840 | * |
| Anne Marie Romer Personal Portfolio(1) | 1,180 | * |
| Anthony G. Perry IRA(4) | 7,300 | * |
| Anthony L. Kremer IRA(1) | 940 | * |
| Anthony L. Kremer Revocable Living Trust(1) | 860 | * |
| Antonio Perez | 2,800 | * |
| AR Inc. Master Retirement Trust(9) | 104,500 | * |
| Arbiter Partners, LLC(10) | 193,750 | * |
| Aubrey L. Roberts IRA(1) | 2,620 | * |
| Aurelia Palcher Combined Portfolio(1) | 990 | * |
| Auto Disposal Systems 401(k) All Cap Value Account(1) | 620 | * |
| Auto Disposal Systems 401(k) Balanced 60 Account(1) | 390 | * |
| Auto Disposal Systems 401(k) Small Cap Value Account(1) | 560 | * |
| Aviation Sales Inc. 401(k) Profit Sharing Plan~Rick J. Penwell TTEE(1) | 1,190 | * |
| Azzinaro Management, LLC(11) | 3,500 | * |
| Baker Hazel Funeral Home, Inc.(1) | 300 | * |
| Baker Hazel Funeral Home, Inc. 401(k) Plan(1) | 430 | * |
| Barbara A. Muth IRA(1) | 240 | * |
| Barbara A. Muth Revocable Living Trust U/A DTD 10/31/96~Barbara A. Muth TTEE(1) | 1,160 | * |
| Barbara B. Chisolm Irrevocable Trust FBO Alison Wilde DTD 12/23/96~O. Beirne Chisolm TTEE(1) | 820 | * |
| Barbara B. Chisolm Irrevocable Trust~FBO Serena B. Wille Dtd 12/23/96~O. Beirne Chisolm TTEE(1) | 820 | * |
| Barbara Bitticker Inherited IRA(1) | 1,260 | * |
| Barbara McCarty~Personal Portfolio(1) | 420 | * |
| Bay Pond Investors (Bermuda) L.P.(12) | 11,800 | * |
| Bay Pond Partners, L.P.(12) | 37,400 | * |
| Bel Air Opportunistic Fund(13) | 82,800 | * |
| Belfer Investment Partners, LP(14) | 48,500 | * |
| Bennett Family LLC(15) | 5,000 | * |
| Benny L. & Alexandra P. Tumbleston JTWROS(1) | 1,470 | * |
| Bert Fingerhut | 2,500 | * |
| Billy A. West | 4,210 | * |
| BLT Enterprises, LLLP~Partnership(1) | 1,340 | * |
| Blueprint Partners LP(16) | 15,000 | * |
| Boston Partners Asset Management, LLC(17) | 517,710 | 1.02% |
| Bradley & Danielle Barton | 6,250 | * |
| Bradley J. Hausfeld IRA(1) | 580 | * |
| Brady Retirement Fund, LP(18) | 17,200 | * |
| Brian Rommel | 1,000 | * |
| Brownlie Family Partnership(4) | 5,300 | * |
| Bruce E. Dines IRA(4) | 7,300 | * |

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| Selling Stockholder | Number of Shares of Common Stock That May Be Sold | Percentage of Common Stock Outstanding |
|---|---|---|
| Caisse De Depot Et Placement Du Quebec(19) | 3,125,000 | 6.18% |
| Cal Hendricks Wies and Margaret Bailey Hardenbergh(3) | 800 | * |
| Capital Growth Fund(3) | 2,200 | * |
| Carl Forstmann Foundation(3) | 2,000 | * |
| Carl W. Goeckel~Combined Portfolio(1) | 2,040 | * |
| Carlton Capital Group, LLC(20) | 12,500 | * |
| Carmine and Wendy Guerro Living Trust~U/A DTD 7/31/2000~C Guerro and W Guerro, TTEES(1) | 1,000 | * |
| Carmine Guerro IRA Rollover(1) | 1,950 | * |
| Carol D. Shellabarger Green~Revocable Trust DTD 4/21/00~Carol Downing Green TTEE(1) | 570 | * |
| Carol Downing Green IRA(1) | 360 | * |
| Caroline Hicks | 2,500 | * |
| Cassandra Toro | 7,500 | * |
| CastleRock Partners, L.P.(21) | 38,500 | * |
| Catherine Hirsch | 1,562 | * |
| Cathy Haberland(3) | 3,100 | * |
| Charles C. Loehmann Charitable Trust(3) | 750 | * |
| Charles Carpenter IRA(3) | 5,900 | * |
| Charles L. & Miriam L. Bechtel~Joint Personal Portfolio(1) | 330 | * |
| Charles Post | 5,000 | * |
| Cheryl L. Coleman IRA Rollover(1) | 310 | * |
| Cheyne Special Situations Fund, LP(22) | 295,000 | * |
| Chris H. & Linda M. Kapolas~Joint Personal Portfolio(1) | 2,290 | * |
| Christina Mattin | 12,000 | * |
| Christine Lindeman-Thomas~IRA Rollover~Gregory J. Thomas, POA(1) | 710 | * |
| Christopher J. Stratis(3) | 1,500 | * |
| Christopher Shaw Lippman | 5,000 | * |
| Cindy Ernst~Personal Portfolio(1) | 8,970 | * |
| Cintra Pollack 93 Trust(4) | 2,800 | * |
| Clark Manufacturing Co.~Pension Plan DTD 5/16/1998~John A. Barron TTEE(1) | 170 | * |
| Clark Manufacturing Co.~PSP DTD 5/16/98~John A. Barron TTEE(1) | 360 | * |
| CNF Investments, LLC(23) | 156,250 | * |
| Congress Ann Hazel IRA(1) | 530 | * |
| Cora & John Davis Foundation(24) | 6,000 | * |
| Craig & Mary Jo Sanford~Joint Personal Portfolio(1) | 6,800 | * |
| Craig Fuller | 6,250 | * |
| Cynthia A. Hackett~Personal Portfolio(1) | 540 | * |
| D.B. Zwirn Special Opportunities Fund, L.P.(25) | 127,500 | * |
| Dan Roach IRA Rollover(1) | 370 | * |
| Daniel Huthwaite and Constance Huthwaite | 3,125 | * |
| Daniel R. Paladino and Pauline M. Paladino | 3,500 | * |
| Darryl W. Copeland, Jr. | 7,500 | * |
| David & Sharon Neenan(4) | 1,500 | * |
| David G. Neenan Keogh(4) | 1,400 | * |
| David H. Bartram(3) | 300 | * |
| David Keith Ray IRA(1) | 880 | * |
| David L. Roer~Personal Portfolio(1) | 220 | * |
| David M. Golush | 2,000 | * |
| David M. Gray~Revocable Trust DTD 07-19-96~David M. Gray, TTEE(1) | 390 | * |
| David M. Morad Jr.~Combined Portfolio(1) | 2,710 | * |
| David M. Morad Jr.~Revocable Living Trust U/A DTD 9/15/97~David M. Morad Jr. & Semele Foundas TTEE(1) | 1,330 | * |
| David R. & Renee M. Ernst~Joint Personal Portfolio(1) | 2,900 | * |
| David R. Kremer Revocable Living Trust~DTD 5/7/1996~David R. Kremer & Ruth E. Kremer, TTEES(1) | 1,170 | * |
| David Reznick and Sandra Reznick | 5,000 | * |
| David Ross~Revocable Living Trust U/A DTD 11/04/00~David Ross TTEE(1) | 930 | * |
| David W. Campbell and Mary W. Campbell | 1,000 | * |

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| Selling Stockholder | Number of Shares of Common Stock That May Be Sold | Percentage of Common Stock Outstanding |
|---|---|---|
| David Wallace(4) | 2,700 | * |
| DBAG London(26) | 250,000 | * |
| Dean L. Overman and Linda J. Overman | 6,250 | * |
| Deanne W. Joseph IRA Rollover(1) | 350 | * |
| Deborah Keinbord(24) | 2,000 | * |
| Deephaven Distressed Opportunities Trading Ltd(27) | 675,000 | 1.33% |
| Deephaven Event Trading Ltd(27) | 1,350,000 | 2.67% |
| Deephaven Growth Opportunities Trading Ltd(27) | 675,000 | 1.35% |
| Dennis M. Langley | 6,250 | * |
| Detroit Diesel Corporation Employee Pension Plan(9) | 72,000 | * |
| Deutsche Bank Alternative Trading(28) | 100,000 | * |
| Diaco Investments, L.P.(29) | 711,750 | 1.41% |
| Diana M. Best IRA Rollover(1) | 2,140 | * |
| Diane W. Colaizzi IRA Rollover(1) | 210 | * |
| Dolores H. Russ Trust~DTD 4/20/2000~Dolores H. Russ, TTEE(1) | 9,430 | * |
| Don A. & Linda B. Maccubbin~Revocable Trust DTD 05/04/93~Don A. & Linda B. Maccubbin, TTEES(1) | 1,940 | * |
| Don A. Maccubbin IRA(1) | 580 | * |
| Don Keasel IRA Rollover(1) | 760 | * |
| Donald A. Porter IRA Small Cap(1) | 960 | * |
| Donald Bavely & Kathleen Bavely | 4,375 | * |
| Donald G. Tekamp Revocable Trust ~DTD 8/16/2000~Donald G. Tekamp TTEE(1) | 1,140 | * |
| Donald Gorman~Personal Portfolio(1) | 520 | * |
| Donald H. Nguyen, M.D. IRA Rollover(1) | 250 | * |
| Donald Harrison | 6,250 | * |
| Donald L. and Edythe Aukerman~Joint Personal Portfolio(1) | 380 | * |
| Donald L. Aukerman IRA(1) | 590 | * |
| Donna G. Dahm IRA(1) | 260 | * |
| Dorothy H. Dines(4) | 4,400 | * |
| Dorothy W. Savage-Kemp IRA(1) | 410 | * |
| Dorothy W. Savage-Kemp TOD(1) | 760 | * |
| Dottie L. Brown~Personal Portfolio(1) | 160 | * |
| Douglas & Melissa Marchal~Joint Personal Portfolio(1) | 270 | * |
| Douglass McCorkindale | 12,500 | * |
| Dr. Donald H. Nguyen & Lynn A. Buffington JTWROS(1) | 790 | * |
| Dr. Juan M. Palomar IRA Rollover(1) | 1,400 | * |
| Dr. Michael T. Kunesh Revocable Trust(1) | 1,640 | * |
| Dr. Neil Kantor~Combined Portfolio(1) | 3,260 | * |
| Dr. William R. Levin, DMD P.A. Retirement(3) | 800 | * |
| Drake Associates L.P.(30) | 20,000 | * |
| Dwayne Barfell & Margaret Harris | 3,125 | * |
| E. Mortimer FBO Mara Wharton(3) | 1,400 | * |
| EBS Asset Management Profit Sharing Plan(1) | 8,280 | * |
| EBS Microcap Partners~Combined Portfolio(1) | 10,100 | * |
| EBS Partners~Combined Portfolio(1) | 34,100 | * |
| Edna Isacs(3) | 1,000 | * |
| Edward Fox IRA(31) | 9,375 | * |
| Edward J. Nusrala | 2,000 | * |
| Edward Richard Marek, Jr. | 1,562 | * |
| Edward W. & Frances L. Eppley~Combined Portfolio(1) | 540 | * |
| Edwin L. Johnson(3) | 600 | * |
| Eileen M. Jackson~TOD(1) | 2,810 | * |
| Elaine S. Berman~Combined Portfolio(1) | 530 | * |
| Elaine S. Berman~Inherited IRA~Beneficiary of Freda Levine(1) | 600 | * |
| Elaine S. Berman SEP IRA(1) | 500 | * |
| Elias M. & Ann C. Karter~Combined Portfolio(1) | 6,960 | * |
| Elizabeth Brown Warters Article IV Trust(3) | 2,200 | * |
| Elizabeth Brown Warters Article V Trust(3) | 700 | * |
| Emerson Partners(51) | 16,000 | |

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| Selling Stockholder | Number of Shares of Common Stock That May Be Sold | Percentage of Common Stock Outstanding |
|---|---|---|
| Ernst Enterprises~Deferred Compensation DTD 05/20/90~fbo Mark Van de Grift(1) | 1,260 | * |
| Ernst Enterprises~Deferred Compensation Plan DTD 05/20/90~fbo Terry Killen(1) | 1,470 | * |
| Evan Julber | 6,000 | * |
| Excelsior Value & Restructuring(32) | 2,750,000 | 5.44% |
| FBO Marjorie G. Kasch~U/A/D 3/21/80~Thomas A. Holton TTEE(1) | 640 | * |
| Felice M. Kantor~Combined Portfolio(1) | 4,780 | * |
| Ferguson Locke | 2,500 | * |
| First Bank Trust(33) | 10,000 | * |
| Flanagan Family Limited Partnership(34) | 6,250 | * |
| Forney M. Hoke III IRA Rollover(1) | 260 | * |
| Forney M. Hoke III Personal Portfolio(1) | 2,950 | * |
| FPA Capital Fund, Inc.(9) | 4,455,800 | 8.81% |
| Francis C. Rooney, Jr.(3) | 1,500 | * |
| Frank B. Day(4) | 17,500 | * |
| Frank B. Day CRT (4) | 1,200 | * |
| Frank D. Day Lead Annuity Trust(4) | 1,200 | * |
| Frank M. Ewing | 27,500 | * |
| Frederick R. Bartram(3) | 1,200 | * |
| Gardner Lewis Fund, L.P.(35) | 96,000 | * |
| Gary M. Youra, M.D. IRA Rollover(1) | 1,930 | * |
| Geary Partners, L.P.(36) | 56,600 | * |
| General Electric Pension Trust(9) | 588,900 | 1.16% |
| Geoffrey Pohanka | 26,000 | * |
| George H. Welsh~Revocable Living Trust DTD 8/1/90 Trust B~Joan M. Welsh, Co-TTEE(1) | 2,950 | * |
| George Hicks~Personal Portfolio(1) | 800 | * |
| George W. Ledford IRA Rollover(1) | 3,270 | * |
| Gerald Allen IRA(1) | 400 | * |
| Gerald E. & Deanne W. Joseph~Combined Portfolio(1) | 1,250 | * |
| Gerald J. Allen~Personal Portfolio(1) | 3,310 | * |
| Giacomo Trusts~Combined Portfolio(1) | 3,620 | * |
| Gina R. Day(4) | 5,700 | * |
| Gina R. Day CRT(4) | 11,000 | * |
| GLG Market Neutral Fund(37) | 600,000 | 1.19% |
| Global Capital Ltd.(38) | 12,500 | * |
| Gloria Trumpower | 2,000 | * |
| GMF Global Natural Resources Fund(39) | 863 | * |
| Goldman Sachs GMS Funds LLC(9) | 559,300 | 1.11% |
| Grace G. Miller~Personal Portfolio(1) | 640 | * |
| Granville Gray Valentine Trust(40) | 25,000 | * |
| Gregory A. & Bibi A. Reber~Joint Personal Portfolio(1) | 550 | * |
| Gregory J. Thomas IRA-SEP(1) | 360 | * |
| Greystone Energy, L.P.(41) | 6,250 | * |
| Greystone Resources, L.P.(41) | 6,250 | * |
| Gruber & McBaine International(42) | 11,000 | * |
| Gwendolyn D. Harmon~Personal Portfolio(1) | 1,530 | * |
| Gwendolyn D. Harmon Revocable Living Trust(1) | 1,240 | * |
| H. Joseph & Rosemary Wood~Joint Personal Portfolio(1) | 800 | * |
| Harlene Brady IRA(1) | 170 | * |
| Harley G. Higbie, III(4) | 1,900 | * |
| Harley G. Higbie, Jr.(4) | 5,300 | * |
| Harold & Congress Hazel Trust~U/A DTD 04/21/1991~Congress Ann Hazel, TTEE(1) | 690 | * |
| Harold A. & Lois M. Ferguson~Joint Personal Portfolio(1) | 960 | * |
| Harry L. Dolan Trust IMA(43) | 1,667 | * |
| Hazel B. Kidd~Personal Portfolio(1) | 840 | * |
| Hedgenergy Master Fund(44) | 330,000 | * |
| Heidi Cox(3) | 3,900 | * |
| Helen G. Moody~Revocable Living Trust DTD 01/17/02~Helen G. Moody TTEE(1) | 550 | * |
| Henry Ripp | 2,000 | * |

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| Selling Stockholder | Number of Shares of Common Stock That May Be Sold | Percentage of Common Stock Outstanding |
|---|---|---|
| Herman Isacs III U/A Marital Trust(3) | 1,500 | * |
| HFR Asset Management, LLC(45) | 84,900 | * |
| HFR HE Beryllium(46) | 90,900 | * |
| HFR HE Systematic Master Trust(45) | 117,700 | * |
| HH Managed Account 7 Limited(47) | 24,200 | * |
| Highbridge Event Driven / Relative Value Fund, LP(48) | 102,225 | * |
| Highbridge Event Driven / Relative Value Fund, Ltd.(48) | 692,775 | 1.37% |
| Highbridge International LLC(48) | 705,000 | 1.39% |
| Hildreth D. Wold(4) | 1,900 | * |
| Hillel Weinberger and Elaine Weinberger | 100,000 | * |
| Howard W. Smith & Margaret W. Aldridge~Combined Portfolio(1) | 1,530 | * |
| Hsien-Ming Meng IRA Rollover(1) | 910 | * |
| Industrial Grinding~Profit Sharing Plan U/A 10/1/84(1) | 1,550 | * |
| ING MFS Utilities Portfolio(49) | 93,780 | * |
| Investors of America(50) | 850,000 | 1.68% |
| J. Carter Beese, Jr. | 3,125 | * |
| J. Steven Emerson(51) | 45,000 | 1.04% |
| J. Steven Emerson IRA Rollover II(51) | 350,000 | |
| J. Steven Emerson Roth IRA(51) | 115,000 | |
| Jack Barrish | 5,000 | * |
| Jack E. & Sandra McMaken~Joint Personal Portfolio(1) | 320 | * |
| Jack R. Scherer Liv Trust~DTD 4/3/97~Jack R. & Lana B. Scherer TTEES(1) | 1,460 | * |
| Jack Wold Family Partnership(4) | 2,000 | * |
| Jacqueline Slyman~Personal Portfolio(1) | 1,320 | * |
| James A. Syme and Phyllis K. Syme | 4,375 | * |
| James B. Wallace(4) | 3,200 | * |
| James C. Dascoli | 2,000 | * |
| James D. Locke and Susan P. Locke | 7,500 | * |
| James M. Earnest | 1,000 | * |
| James N. & Jean C. Marten~Combined Portfolio(1) | 570 | * |
| James R. Goldstein~Personal Portfolio(1) | 530 | * |
| James T. Lehner, M.D. IRA(1) | 1,390 | * |
| Jan Munroe Trust(52) | 4,000 | * |
| Janice S. Harmon~Personal Portfolio(1) | 390 | * |
| JCK Partners Opportunities Fund, Ltd.(53) | 22,500 | * |
| Jean C. Marten~Personal Portfolio(1) | 210 | * |
| Jeannine E. Phlipot~Personal Portfolio(1) | 760 | * |
| Jeannine E. Philpot IRA(1) | 710 | * |
| Jeffrey H. Howard and Brenda H. Howard | 3,125 | * |
| Jeffrey M. Grieco~Revocable Living Trust DTD 7/19/2001~Jeffrey M. Grieco, TTEE(1) | 900 | * |
| Jennifer A. Roer IRA(1) | 340 | * |
| Jennifer Roach IRA(1) | 520 | * |
| Jerald Siegel and Francine Siegel | 1,000 | * |
| Jeremy Hirst | 2,000 | * |
| Jerome E. Muth IRA Roth(1) | 2,030 | * |
| Jerome E. Muth~Revocable Living Trust U/A DTD 10/31/96~Jerome E. Muth, TTEE(1) | 360 | * |
| Jerry Armstrong(4) | 6,000 | * |
| Joan M. O Neil~Combined Portfolio(1) | 2,070 | * |
| Johanne S. Rupp IRA(54) | 1,500 | * |
| John & Lisa O Neil~Joint Personal Portfolio(1) | 1,140 | * |
| John & Mary Ann Duffey(4) | 4,400 | * |
| John Barron, Jr.-Personal Portfolio(1) | 350 | |
| John A. Barron Personal Portfolio Mississippi(1) | 160 | * |
| John A. Barron Personal Portfolio Ohio(1) | 370 | * |
| John A. Barron IRA Rollover(1) | 2,170 | * |
| John B. Maynard Personal Portfolio(1) | 9,050 | * |
| John B. Maynard Jr.~Irrevocable Trust U/A DTD 12/12/93~John B. Maynard Sr., TTEE(1) | 300 | * |
| John C. & Sarah L. Kunesh JTWROS(1) | 570 | * |
| John C. Ernst, Jr.~Revocable Trust~John C. Ernst, Jr. TTEE(1) | 8,050 | * |

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| Selling Stockholder | Number of Shares of Common Stock That May Be Sold | Percentage of Common Stock Outstanding |
|---|---|---|
| John C. York | 8,125 | * |
| John D. Thiel | 3,125 | * |
| John Duffey IRA(4) | 2,600 | * |
| John E. Meyer~Combined Portfolio(1) | 44,760 | * |
| John E. Palcher IRA Rollover(1) | 510 | * |
| John Eubel & Betty Eubel~Combined Portfolio(1) | 3,990 | * |
| John Glickstein & Eileen Glickstein | 2,000 | * |
| John H. Lienesch IRA(1) | 1,630 | * |
| John Hancock Advisors FBO JHIC Vermont Hallmark Cards, Inc.(55) | 28,750 | * |
| John Hancock Balanced Fund(55) | 87,750 | * |
| John Hancock Funds II (JH2)(32) | 85,342 | * |
| John Hancock Large Cap Equity Fund(55) | 971,845 | 1.92% |
| John Hancock Mid Cap Growth Fund(55) | 118,808 | * |
| John Hancock Trust (JH1)(32) | 76,885 | * |
| John Hancock Trust Utilities Trust(56) | 77,190 | * |
| John J. Miller~Personal Portfolio(1) | 630 | * |
| John J. Pohanka Family Foundation(57) | 20,000 | * |
| John M. Walsh, Jr. IRA Rollover(1) | 910 | * |
| John M. & Patricia D. Coleman JTWROS | 12,500 | |
| John O Meara IRA Rollover(1) | 310 | * |
| John Sarron, Jr. Personal Portfolio(1) | 350 | * |
| John T. & Julia M. Paas JTWROS(1) | 650 | * |
| John T. Beaty Jr. | 2,500 | * |
| John T. Dahm IRA(1) | 2,170 | * |
| John T. Dahm IRA Rollover(1) | 680 | * |
| John Whalen and Linda Rabbitt | 6,250 | * |
| Johnson Revocable Living Trust(58) | 10,000 | * |
| Jon D. & Linda N. Gruber Trust(59) | 13,000 | * |
| Jon R. Yenor & Caroline L. Brecker Joint Tenants(1) | 970 | * |
| Jon R. Yenor IRA Rollover(1) | 720 | * |
| Joseph D. & Julia A. DiCicco~Combined Portfolio(1) | 2,350 | * |
| Joseph D. & Suzanne F. Mackil~Combined Portfolio(1) | 3,270 | * |
| Joseph D. Maloney~Personal Portfolio(1) | 830 | * |
| Joseph F. & Mary K. Scullion~Combined Portfolio(1) | 1,360 | * |
| Joseph H. Szymanski | 6,250 | * |
| Joyce Ann Porter~Revocable Living Trust dtd 12/1/00~Joyce Ann Porter, TTEE(1) | 1,070 | * |
| Judith Keasel~IRA Rollover(1) | 320 | * |
| Kandythe J. Miller~Combined Portfolio(1) | 730 | * |
| Karen Shay IRA(4) | 4,800 | * |
| Karfunkel Family Foundation(60) | 5,000 | * |
| Kathleen J. Lienesch~Combined Portfolio(1) | 1,180 | |