

GASTAR EXPLORATION LTD
Form DEF 14A
April 26, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
SCHEDULE 14A
INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

Gastar Exploration Ltd.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

3) Filing Party:

4) Date Filed:

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Gastar Exploration Ltd.

1331 Lamar Street, Suite 1080

Houston, Texas 77010

NOTICE OF THE 2009 ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

Thursday, June 3, 2010

To our Shareholders:

The 2010 Annual General and Special Meeting of Shareholders (the Annual Meeting) of Gastar Exploration Ltd., an Alberta, Canada corporation, will be held on Thursday, June 3, 2010, 10:00 a.m. (central time), at the Four Seasons Hotel, 1300 Lamar Street, Houston, Texas 77010. At the Annual Meeting, shareholders will consider and vote on the following proposals:

1. To fix the Board of Directors from five (5) to six (6) members;
2. To elect six (6) members to the Board of Directors to serve until our annual meeting of shareholders in 2011 or until their successors are elected and qualified;
3. To approve and ratify, by ordinary resolution, an amendment to our Bylaws, which requires that the positions of Chairman and Chief Executive Officer be held by separate individuals;
4. To ratify the Audit Committee's appointment of BDO Seidman, LLP, as our independent registered public accounting firm for the year ending December 31, 2010; and
5. To transact any such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof. Only holders of record of our common shares at the close of business on April 14, 2010 (the Record Date) are entitled to notice of and to attend the Annual Meeting or any adjournment(s) thereof and to vote on the above listed matters at the Annual Meeting. A list of shareholders entitled to vote at the Annual Meeting will be available for inspection starting on May 20, 2010 through Wednesday, June 2, 2010, during usual business hours at Gastar Exploration Ltd.'s offices at 1331 Lamar Street, Suite 1080, Houston, Texas 77010 and also will be available for inspection at the Annual Meeting.

It is important that your common shares are represented at the Annual Meeting, whether or not you plan to attend in person and regardless of the number of common shares you own. If you are a shareholder whose common shares are registered in your name, and to make sure your common shares are represented, we urge you to submit a proxy containing your voting instructions as soon as possible by signing and dating the enclosed proxy card and returning it in the envelope provided for that purpose, each in the manner described in the accompanying Proxy Statement. Even if you have given your proxy, you may still vote in person if you attend the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must obtain from the record holder a proxy issued in your name.

The specific details of the matters proposed to be dealt with at the Annual Meeting are set forth in the Proxy Statement accompanying this notice. Additionally, we will report on our business and financial performance, including our audited consolidated financial statements and the auditor's report for the year ended December 31, 2009 and other information concerning us that can be found in our Annual Report on Form 10-K for the year

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ended December 31, 2009 (the 2009 Form 10-K), a copy of which is included in our 2009 Annual Report to Shareholders (the 2009 Annual Report) that accompanies this notice. Our 2009 Annual Report and this notice are being mailed to registered shareholders with the accompanying Proxy Statement on or about April 30, 2010 and also are available to you over the Internet at www.gastar.com.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON THURSDAY, JUNE 3, 2010.**

In accordance with the rules promulgated by the U.S. Securities and Exchange Commission, we are providing access to our Proxy Materials over the Internet. The Proxy Materials, including the Proxy Statement and 2009 Annual Report to Shareholders, are available at www.gastar.com and www.sedar.com.

DATED this 30th day of April 2010.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ J. RUSSELL PORTER

J. Russell Porter

President and Chief Executive Officer

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Gastar Exploration Ltd.

1331 Lamar Street, Suite 1080

Houston, Texas 77010

PROXY STATEMENT FOR THE

2010 ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

Thursday, June 3, 2010

This Proxy Statement contains information about the 2010 Annual General and Special Meeting of Shareholders (the Annual Meeting) of Gastar Exploration Ltd. The Annual Meeting will be held on Thursday, June 3, 2010, 10:00 a.m. (central time), at the Four Seasons Hotel, 1300 Lamar Street, Houston, Texas 77010.

This Proxy Statement is furnished in connection with the solicitation by the board of directors (the Board) of proxies to be voted on at the Annual Meeting of Gastar Exploration Ltd., which is also referred to as Gastar , the Company , we , us or our in this Proxy Statement. All proxies will be voted in accordance with the instructions they contain. If no instruction is specified on a proxy, it will be voted in favor of the matters set forth in the notice of the Annual Meeting. A shareholder may revoke his or her proxy at any time before it is exercised by (1) submitting written notice to that effect or a new proxy to our secretary at the registered office of the Company at any time up to and including the last business day preceding the day of the Annual Meeting, (2) submitting written notice to that effect or a new proxy to the chairperson of the Annual Meeting on the day of the Annual Meeting, (3) voting in person at the Annual Meeting or (4) in any other manner permitted by law. Attendance at the Meeting will not, by itself, revoke your proxy.

The matters to be acted on at the Annual Meeting are set forth in this Proxy Statement and the accompanying notice of the Annual Meeting. Additionally, we will report on the business and financial performance of Gastar.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
ANNUAL MEETING TO BE HELD ON THURSDAY, JUNE 3, 2010.**

In accordance with rules promulgated by the Securities and Exchange Commission (the SEC) and in connection with the solicitation of proxies by our Board for the Annual Meeting, we have made our proxy materials available to you on the Internet in addition to delivering paper versions of these materials to you by mail (including the notice, this Proxy Statement, the Annual Report to Shareholders, which includes the Form 10-K for the fiscal year ended December 31, 2009 (the 2009 Annual Report) and a form of proxy). Beginning on or about April 30, 2010, these proxy materials are being mailed to our shareholders and are available on the Internet at www.gastar.com and at www.sedar.com.

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Gastar Exploration Ltd.

1331 Lamar Street, Suite 1080

Houston, Texas 77010

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIAL, ANNUAL MEETING AND VOTING

Why am I receiving these proxy materials?

Our Board is soliciting your proxy to vote at our Annual Meeting because you owned shares of our common stock at the close of business on April 14, 2010, the record date for the Annual Meeting (the Record Date), and are therefore entitled to vote at the Annual Meeting. The Proxy Statement, along with a proxy card and a voting instruction card, is being mailed to shareholders on or about April 30, 2010. We have also made these materials available to you on the Internet. This Proxy Statement summarizes the information that you need to know in order to cast your vote at the Annual Meeting. As a shareholder, your vote is very important and our Board strongly encourages you to exercise your right to vote. You do not need to attend the Annual Meeting in person to vote your shares, and we encourage you to vote even if you are unable to attend the Annual Meeting. If you are unable to attend the Annual Meeting in person, you may vote by Internet or by signing and returning the attached proxy card or voting instruction card in the envelope provided. See How do I vote my common shares below.

When and where will the Annual Meeting be held?

The Annual Meeting will be held at held on Thursday, June 3, 2010, 10:00 a.m. (central time), at the Four Seasons Hotel, 1300 Lamar Street, Houston, Texas 77010.

Who is soliciting my proxy?

Our Board is soliciting your proxy to vote on all matters scheduled to come before the Annual Meeting, whether or not you attend in person. By completing and returning the proxy card or voting instruction card, or by casting your vote via the Internet, you are authorizing the proxy holders to vote your shares at the Annual Meeting, as you have instructed.

On what matters will I be voting? How does the Board recommend that I cast my vote?

At the Annual Meeting, our shareholders will be asked to: (1) fix the number of directors from five (5) to six (6) members; (2) elect six (6) members to the Board to serve until our annual meeting of shareholders in 2011 or until their successors are elected and qualified; (3) ratify the Audit Committee's appointment of BDO Seidman, LLP, as our independent registered public accounting firm for the year ending December 31, 2010; and (4) transact any such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof.

The Board unanimously recommends that you vote:

FOR fixing the Board from five (5) to six (6) members;

FOR each of the six (6) nominees for directors to serve until our annual meeting of shareholders in 2011 and until their successors are elected and qualified;

FOR the approval and ratification, by ordinary resolution, an amendment to our Bylaws which now requires that the positions of Chairman and Chief Executive Officer be held by separate individuals; and

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FOR the ratification of the Audit Committee's appointment of BDO Seidman, LLP, as our independent registered public accounting firm for the year ending December 31, 2010.

We do not expect any matters to be presented for action at the Annual Meeting other than the items described in this Proxy Statement. By signing and returning the enclosed proxy, however, you will give to the

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persons named as proxies discretionary voting authority with respect to any other matter that may properly come before the Annual Meeting, and they intend to vote on any such other matter in accordance with their best judgment.

In addition, our executive management will report on our business and financial performance during fiscal year 2009 and respond to your questions.

How many votes may I cast?

Each of our common shares that you own on the Record Date entitles you to one vote on each matter that is properly brought before the Annual Meeting. You may cast one vote for every common share that you owned on the Record Date.

How many votes can be cast by all shareholders?

As of the Record Date, there were 50,407,642 common shares outstanding and entitled to vote at the Annual Meeting.

Is my vote important?

Your vote is important regardless of how many common shares you own. Please take the time to vote. Please read the instructions below, choose the way to vote that is easiest and most convenient for you and cast your vote as soon as possible.

How many common shares must be present to hold the Annual Meeting?

A quorum of shareholders is necessary for a valid Annual Meeting. The required quorum for the transaction of business at the Annual Meeting is the presence of a holder or holders of not less than 5% of the total outstanding common shares entitled to vote at the Annual Meeting, either present in person or represented by proxy. Abstentions and broker non-votes will be counted for the purpose of determining the presence of a quorum. A broker non-vote occurs if a broker or other nominee of shares does not have discretionary authority and has not received voting instructions with respect to a particular matter.

What are the voting requirements to elect the directors and to approve each of the proposals discussed in this Proxy Statement?

Proposal	Vote Required
To fix the Board from five (5) to six (6) members.	A majority of votes cast, in person or by proxy.
To elect six (6) members to the Board to serve until our annual meeting in 2011 or until their successors are qualified and elected.	The six (6) directors who receive the greatest to serve number of votes in person or represented by proxy at the meeting and entitled to vote.
To amend the Bylaws to explicitly separate the positions of Chief Executive Officer and Chairman of the Board so as to prohibit any one person from holding both positions concurrently.	A majority of votes cast, in person or by proxy.
To ratify the Audit Committee's appointment of BDO Seidman, LLP, as our independent registered public accounting firm for the year ending December 31, 2010.	A majority of votes cast, in person or by proxy.
With respect to the election of directors, votes may be cast in favor of or withheld from the election of each nominee. Votes that are withheld from a director's election will be counted toward a quorum, but will not affect	

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the outcome of the vote on the election of a director. Abstentions and broker non-votes will have no effect on the outcome of the election of directors, assuming a quorum is present or represented by proxy at the Annual Meeting. With respect to all other matters, abstentions and broker non-votes are not considered to be votes cast and therefore will have no effect on such matters.

How do I vote my common shares?

If you own your common shares as of the Record Date, you may vote by submitting your proxy by mail, by the Internet or in person at the Annual Meeting.

To Vote by Mail. You may vote by completing and signing the proxy card that accompanies this Proxy Statement and promptly mailing it in the enclosed envelope. The common shares you own will be voted according to the instructions on the proxy card that you provide. If you return the proxy card but do not give any instructions on a particular matter described in this Proxy Statement, the common shares you own will be voted in accordance with the recommendations of the Board. In order to be valid and acted upon at the Annual Meeting, your proxy card must be received by our registrar and transfer agent, American Stock Transfer & Trust Company, Attention: Proxy Department, 6201 15th Avenue, Brooklyn, New York 11219, at least 24 hours before the time of the Annual Meeting or any adjournment thereof, excluding weekends and holidays.

To Vote in Person. If you attend the Annual Meeting, you may vote by delivering your completed proxy card in person or you may vote by completing a ballot. Ballots will be available at the Annual Meeting. Attending the Annual Meeting without completing a ballot will not count as a vote. Submitting a proxy will not prevent a shareholder from attending the Annual Meeting and voting in person.

To vote by the Internet. Go the following Internet address: <http://www.proxyvote.com>. You may use the Internet to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (central time) on June 2, 2010. Have your proxy card available, and follow the instructions to obtain your records and create an electronic ballot.

Can I change my vote after I have mailed my proxy card?

Yes. You can change your vote and revoke your proxy at any time before the polls close at the Annual Meeting by doing any one of the following things:

Submitting written notice to that effect or a new proxy to our secretary at our registered office at any time up to and including the last business day preceding the day of the Annual Meeting;

Submitting written notice to that effect or a new proxy to the chairperson of the Annual Meeting on the day of the Annual Meeting;

Voting in person at the Annual Meeting; and

In any other manner permitted by law

Your attendance at the Annual Meeting alone will not revoke your proxy.

Can I vote if my shares are held in street name ?

If your common shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of the common shares held in street name . As the beneficial owner, you have the right to direct your broker or nominee how to vote your common shares and are also invited to attend the Annual Meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the Annual Meeting unless you obtained a signed proxy from the record holder giving you the right to vote the shares. In order to vote your common shares, you will need to follow the directions your bank or brokerage firm provides you.

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Will any other business be conducted at the Annual Meeting or will other matters be voted on?

The Board does not know of any other matters that may come before the Annual Meeting. If any other matter properly comes before the Annual Meeting, the persons named in the proxy card that accompanies this Proxy Statement, whether you submit your proxy in person or by mail, will exercise their judgment in deciding how to vote, or otherwise act, at the Annual Meeting with respect to that matter or proposal.

May I propose actions for consideration at next year's Annual Meeting or nominate individuals to serve as directors?

You may submit proposals for consideration at future annual meetings. Please read Shareholder Proposals and Nominations for information regarding the submission of shareholder proposals at next year's annual meeting.

Where can I find the voting results?

We will report the voting results in a periodic report on Form 8-K with the SEC within four business days of the Annual Meeting.

Who bears the costs of soliciting these proxies?

We will bear the entire cost of the solicitation of proxies, including preparation, assembly, printing and mailing of this Proxy Statement, the proxy card and any additional information furnished to shareholders. Our directors, officers and regular employees may solicit proxies by telephone, e-mail and personal interviews without additional remuneration for these services. We will furnish copies of solicitation materials to banks, brokerage houses, fiduciaries and custodians holding in their names common shares beneficially owned by others to forward to such beneficial owners. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of our common shares that they hold in their names. We will reimburse banks and brokers for their reasonable out-of-pocket expenses incurred in connection with the distribution of our proxy materials.

INFORMATION ABOUT DIRECTORS, DIRECTOR NOMINEES, EXECUTIVE OFFICERS AND MEMBERS OF MANAGEMENT

The Board currently is composed of five members: J. Russell Porter, John R. Rooney (Chairman), Robert D. Penner and John M. Selser, each of whom was elected as a director at our 2009 annual meeting of shareholders, and Randolph C. Coley, who was appointed to the Board in January 2010. The Nomination Committee has nominated Messrs. Porter, Rooney, Penner and Selser to stand for re-election and Mr. Coley to stand for election at the Annual Meeting. The Nomination Committee has also named Floyd R. Price as an additional director to stand for election at the Annual Meeting. Biographical information about each director nominee can be found beginning on page 36 in connection with Proposal 2. Election of the Board .

Biographical information about our executive officers and other member of our management as of April 14, 2010 is set forth below.

Name	Age	Position
J. Russell Porter (1)	48	President and Chief Executive Officer
Michael A. Gerlich (1)	55	Vice President and Chief Financial Officer
Frederick E. Beck, PhD	50	Vice President of Drilling
Keith R. Blair	55	Vice President/Exploration Manager
Henry J. Hansen	54	Vice President of Land
R. David Rhodes	51	Vice President of Completion and Production
Sara-Lane Ruzicki	41	General Corporate Canadian Counsel and Corporate Secretary

(1) Messrs. Porter and Gerlich are our only executive officers and are referred to in this Proxy Statement as our Named Executive Officers .

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J. Russell Porter has been a member of the Board and has served as our President and Chief Executive Officer since February 2004. Mr. Porter has an energy focused background, with approximately 19 years of natural gas and oil exploration and production experience and five years of banking and investment experience specializing in the energy sector. From April 1994 to September 2000, Mr. Porter served as an executive vice President of Forcenergy, Inc., a publicly traded exploration and production company, where he was responsible for the acquisition and financing of the majority of its assets across the United States and Australia. He currently is a director of Caza Oil & Gas, Inc., a publicly traded exploration and development company listed on the Toronto Stock Exchange and the London AIM exchange. He also is a member of the Board of Directors of Stallion Oilfield Holdings, Inc., a private Delaware corporation that owns Stallion Oilfield Services, a private oilfield service company. Mr. Porter holds a Bachelor of Science degree in Petroleum Land Management from Louisiana State University and a MBA from the Kenan-Flagler School of Business at the University of North Carolina at Chapel Hill.

Michael A. Gerlich joined us in May 2005 as Vice President and Chief Financial Officer. Mr. Gerlich has over 30 years of natural gas and oil accounting and finance experience. From 1999 until joining us, he held various accounting and finance positions at Calpine Natural Gas LP, a wholly-owned subsidiary of Calpine Corporation, an independent electric power generation company listed on the New York Stock Exchange. His last position at Calpine Natural Gas LP was Senior Vice President Accounting and Finance, for the natural gas and oil operations of the wholly-owned subsidiary. From 1994 until 1999, Mr. Gerlich served as Vice President and Chief Financial Officer of Sheridan Energy, Inc, an independent natural gas and oil exploration company traded on the NASDAQ, which was acquired in 1999 by Calpine Corporation. Over a 12-year period prior to joining Sheridan Energy, Mr. Gerlich held various accounting and finance positions with Trinity Resources, Ltd., an independent natural gas and oil exploration and production company, with his last position being Executive Vice President and Chief Financial Officer. Prior to that, Mr. Gerlich was also with a Big Four accounting firm, where the focus of his practice was with energy related clients. Mr. Gerlich is a Certified Public Accountant and graduated with honors from Texas A&M University with a Bachelor of Business Administration degree in Accounting.

Frederick E. Beck, PhD joined us in April 2002 as Vice President of Drilling. Dr. Beck has over 27 years of diversified experience in the natural gas and oil business. In addition to his activities with us, he also serves as an associate professor of petroleum engineering at Texas A&M University, where he teaches courses in drilling engineering. He also has held positions as a drilling engineer and drilling supervisor for a major operator and was an assistant professor of petroleum engineering at the New Mexico School of Mines. From 1996 prior to joining us, Dr. Beck was Vice President of the turnkey drilling division of Nabors Drilling USA LP, a domestic natural gas and oil drilling company. Dr. Beck holds a Bachelor of Science degree in Geology, Master of Science degree in Petroleum Engineering and Doctor of Philosophy Degree in Petroleum Engineering, all from Louisiana State University in Baton Rouge, Louisiana.

Keith R. Blair joined us in August 2005 as a Senior Staff Geologist. He was promoted to Vice President, Exploration Manager in 2008. Mr. Blair has over 30 years of natural gas and oil experience. He has extensive working knowledge of natural gas and oil basins in Colorado, New Mexico, East Texas, West Virginia/Pennsylvania, Offshore Gulf of Mexico and the Texas/Louisiana Gulf Coast. Prior to joining us, from 1999 until 2005, he was an independent exploration geologist. From 1995 until 1999, he was a Senior Geophysicist at Schlumberger Limited. Prior to 1995, he held an Exploration Manager/Supervisor position at Conoco Phillips for 14 years. He began his career as a well logging engineer with Halliburton Company. Mr. Blair graduated from Texas A&M University with a Bachelor of Science degree in geology.

Henry J. Hansen joined us in September 2005 as Vice President of Land. Mr. Hansen has over 30 years of land management experience. Prior to joining us, Mr. Hansen was Rocky Mountain Land Manager with El Paso Corporation, a natural gas and oil exploration, production and pipeline company, from 1999 until January 2003. He returned to El Paso Corporation in June 2004, where he was senior landman until joining us in September 2005. Mr. Hansen graduated from the University of Texas at Austin with a Bachelor of Business Administration in Petroleum Management.

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R. David Rhodes joined us in March 2006 as Vice President of Completion and Production. Mr. Rhodes has over 27 years of petroleum engineering experience, focused primarily in the supervision and management of completion and production operations. Prior to joining us in 2006, he managed Oil & Gas Operations and Consulting, Inc., an independent consulting firm he established in May 2001, where he worked as a petroleum engineering consultant for numerous natural gas and oil operators including us. Mr. Rhodes continues to maintain his relationship with Oil & Gas Operations and Consulting, Inc. From 1981 to 2001, Mr. Rhodes held various engineering and management/supervisory positions at Getty Oil Company and Marathon Oil Company (formerly Texas Oil & Gas Company), major integrated natural gas and oil companies. His last position was Operations Manager for East Texas and Northern Louisiana. Mr. Rhodes holds a Bachelor of Science degree in Petroleum Engineering from Louisiana Tech University.

Sara-Lane Ruzicki, LLB has served as an attorney in private practice since April 2001 and has served as our Corporate Secretary and General Corporate Canadian Counsel since May 2000 on a contract basis. From July 1993 to April 2001, she served as an attorney at the law firm of Armstrong Perkins Hudson LLP (formerly Ogilvie and Company) in Calgary, Alberta, Canada, becoming a partner in 1999. Specializing in corporate/securities law, she has acted for issuers in all industry segments in Canada, the United States and internationally, focusing on corporate reorganizations, commercial transactions and initial public offerings of junior emerging companies as well as equity and debt financings, mergers and acquisitions and commercial transactions of senior established companies. Ms. Ruzicki obtained her Bachelor of Laws degree at the University of Saskatchewan.

There are no family relationships between our Named Executive Officers, those members of management noted above, and our directors.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Cease Trade Orders

Except as disclosed below, to the knowledge of our management, none of our director nominees is, or within the 10 years before the date of this Proxy Statement has been a director, chief executive officer or chief financial officer of any company (including us) that:

- (a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under securities legislation that lasted for a period of more than 30 consecutive days that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that lasted for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Penner currently serves as a director of Storm Cat Energy Corporation (Storm Cat), a position he has held since January 2005. In November 2008, the U.S. subsidiaries of Storm Cat filed for a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code, and Storm Cat was subsequently delisted from the Toronto Stock Exchange and the NYSE Amex LLC (the NYSE Amex), formerly the American Stock Exchange, Inc., which delistings remain in effect as of the date hereof. In April 2009, pursuant to an order of the Ontario Securities Commission, the securities of Storm Cat were cease traded for a failure to file audited annual financial statements, management s discussion and analysis, and an annual information form, all for the year ended December 31, 2008, and such order remains in effect as of the date hereof.

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Bankruptcies

Except as disclosed above under the subheading *Cease Trade Orders*, to the knowledge of our management, none of our director nominees:

- (a) is, at the date of this Proxy Statement or has been within the 10 years before the date of this Proxy Statement, a director or executive officer of any company (including us) that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this Proxy Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director nominee.

Penalties or Sanctions

To the knowledge of our management, none of our director nominees:

- (a) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with the securities regulatory authority; or
- (b) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a director nominee.

CORPORATE GOVERNANCE

Information about the Board

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the *CSA*) have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as us. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* (*NI 58-101*), which prescribes certain disclosure by us of our corporate governance practices.

This section sets out our approach to corporate governance and addresses our compliance with *NI 58-101* and the applicable rules and regulations of the NYSE Amex.

Mandate of the Board

The Board is responsible for managing our business affairs. The primary responsibility of the Board is to promote our best interests and the best interests of our shareholders. This responsibility includes: (i) approving annual capital expenditure budgets and general and administrative expense budgets and reviewing fundamental operating, financial and other corporate plans, strategies and objectives; (ii) outlining key operating parameters including debt levels and ratios; (iii) evaluating our performance and the performance of our senior management; (iv) determining, evaluating and fixing the compensation of executive officers; (v) adopting policies of corporate governance and conduct; (vi) considering risk management matters; (vii) reviewing the process of providing appropriate financial and operational information to shareholders and the public generally; and (viii) evaluating

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the overall effectiveness of the Board. The Board explicitly acknowledges its responsibility for our stewardship. The Board reviews with management matters of strategic planning, business risk identification, succession planning, communications policy and integrity of internal control and management information systems. The Board fulfills its responsibilities through regular and special meetings.

Current Members of the Board

The Board currently is comprised of five members whose names and committee memberships are set forth below. The Board has determined that the members of the Board, with the exception of Mr. Porter, have no material relationship with us (either directly or as partners, shareholders or officers of an organization that has a relationship with us) and are independent within the meaning of the rules and regulations of the NYSE Amex and NI 58-101 director independence standards. Mr. Porter, as our President and Chief Executive Officer, is not considered to be independent. Further, the Board has determined that each of the members of the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and the Reserves Committee has no material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us) and is independent within the meaning of the rules and regulations of the NYSE Amex and the NI 58-101 director independence standards.

Name	Audit Committee	Remuneration Committee	Reserve Committee	Corporate Governance Committee	Nomination Committee
J. Russell Porter, Director, President and Chief Executive Officer					
Randolph C. Coley, Director (1)	X	X	X	X	X
Robert D. Penner, Director	Chairman	Chairman	X	X	X
John M. Selser, Director	X	X	Chairman	X	Chairman
John R. Rooney, Director	X	X	X	Chairman	X

(1) Mr. Coley was appointed to the Board in January 2010 and was subsequently appointed to the committees indicated above.

Board and Committee Meetings

The Board meets a minimum of four times per year. In addition, the Board meets at such other times as may be required if it is not possible to deal with our business at a regularly scheduled quarterly meeting.

The Board facilitates its independent supervision over management in a number of ways, including by holding regular meetings at which members of management and non-independent directors are not in attendance and by retaining independent consultants where it deems necessary.

For the year ended December 31, 2009, each member of the Board and each director that was a member of a committee attended at least 85% of all meetings held by the Board and each committee of which he was a member at the time of the meeting. The following chart discloses the number of Board and Committee meetings held during 2009 and the attendance of each director.

Director	Board Meetings	Audit Committee	Remuneration Committee	Reserves Review Committee	Corporate Governance Committee	Nomination Committee (1)
J. Russell Porter	10 of 10	n/a	n/a	n/a	n/a	n/a
Robert D. Penner	9 of 9	4 of 4	3 of 3	1 of 1	1 of 1	n/a
John M. Selser	9 of 9	4 of 4	3 of 3	1 of 1	1 of 1	n/a
John R. Rooney (2)	6 of 7	2 of 2	2 of 2	n/a	n/a	n/a

(1) The Nomination Committee did not meet during 2009.

(2) Mr. Rooney was elected to the Board at the annual meeting of shareholders held in June 2009.

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Board Composition and Leadership Structure

Mr. Rooney serves as our Chairman of the Board, and Mr. Porter serves as our President and Chief Executive Officer and also is a director. We separated the positions of Chairman of the Board and Chief Executive Officer in January 2010, and we named Mr. Rooney as Chairman. In connection with our entry into an agreement with Palo Alto Investors, LLC relating to certain corporate governance matters (as discussed in more detail under the heading *Certain Relationships and Related Transactions* on page 32 of this Proxy Statement), our Board determined that the separation of these roles would maximize management's efficiency and further our ongoing efforts to strengthen corporate governance and assure shareholder representation and the independent, objective and effective oversight of management. Separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while allowing the Chairman to lead the Board in its fundamental role of providing guidance to and oversight of management. On January 11, 2010, our Board approved amendments to our Bylaws and corporate governance guidelines have been amended to require this separation, as the Board believes that having separate positions for the Chairman of the Board and for the President and Chief Executive Officer is the appropriate leadership structure for us at this time. Our Board, however, periodically reviews its leadership structure and may make changes in the future as it deems appropriate and in the best interests of the Company and our shareholders. If our shareholders approve the related proposal to amend the Bylaws included in this Proxy Statement, the amendment will become effective when it is filed with the Alberta Registrar of Corporations.

Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on our properties, business, operations and industry and on the responsibilities of directors. Board meetings may also include presentations by our management and employees to give the directors additional insight into our business. New directors are provided with access to our publicly filed documents, technical reports and internal financial information and given copies of all the minutes of Board and Committee meetings and corporate governance materials. Directors are encouraged to ask questions and communicate with management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in the legislation.

Nomination of Directors

The Board has delegated the responsibility of identifying new, director candidates to the Nomination Committee. The process and responsibility of the Nomination Committee is set forth on page 13 under the heading *Nomination Committee*.

Compensation

The Board has delegated the responsibility of determining compensation strategies and recommending the forms and amounts of compensation for directors, officers, consultants and employees to the Remuneration Committee. Please refer to the disclosure on page 12 under the heading *Remuneration Committee*.

Position Descriptions

The Board has developed written position descriptions of responsibilities for each of the Committees, which *inter alia*, provide guidance on providing effective Board and Committee leadership; overseeing all aspects of its direction and administration in fulfilling the respective terms of reference for the Board and the Committee; and overseeing the structure, composition, membership and activities delegated to the Board and Committees.

The roles and responsibilities of the Chief Executive Officer are established each year through discussion and recommendation by and among the Chief Executive Officer, the Remuneration Committee and the Board. The roles and responsibilities of the Chief Executive Officer are reviewed, discussed and further defined on an ongoing basis through meetings of the Board and the Committees of the Board.

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Board Evaluations/Assessments

We have established procedures and surveys for assessing and evaluating the performance of the Board. The surveys completed by each director are summarized and discussed by the Board as a whole with the objective of making changes to policies or procedures to address comments aimed at greater Board effectiveness.

Code of Ethics

We adopted a Code of Ethics for all employees, including our executive officers on December 15, 2005. A copy of our Code of Ethics is available on our Internet website at www.gastar.com. A copy of our Code of Ethics will be provided to any person without charge, upon request. Such requests should be directed to our Secretary at 1331 Lamar Street, Suite 1080, Houston, Texas 77010.

Communications with the Board

Shareholders or other interested parties may send communications to the Board by writing to our Secretary at 1331 Lamar Street, Suite 1080, Houston, Texas 77010. Our Secretary will forward to the directors all communications that, in her judgment, are appropriate for consideration by the directors. Comments or complaints relating to our accounting, internal accounting controls or auditing matters will also be referred to our Audit Committee. Our Audit Committee has procedures for (1) receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters and (2) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. The Whistleblower policies and procedures adopted by the Audit Committee are available on our Internet website at www.gastar.com.

Attendance at the Annual Meeting of Shareholders

We do not have a formal policy with regards to director attendance at the annual meetings of shareholders. In 2009, Mr. Porter was the only director that attended our annual meeting of shareholders.

INFORMATION ABOUT OUR COMMITTEES OF THE BOARD

Each of the following Committees of the Board has a Terms of Reference approved by the Board, which provide descriptions of the role of the Chairman of such Committee and the roles and responsibilities of the Committee as a whole. The Terms of Reference functions as a charter for the respective Committee. Each is available on our Internet website at www.gastar.com or in print upon request.

Audit Committee

Composition

The Audit Committee currently is comprised of Messrs. Penner (Chairman), Coley, Rooney and Selser, each of whom is independent under the rules of the NYSE Amex LLC and Section 10A (Audit Requirements) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Mr. Penner is designated as the audit committee financial expert , as that term is defined under SEC rules. He became a member of the Board effective July 16, 2007. Mr. Penner is a retired senior partner with KPMG LLP, whose career of advising public and private clients on tax and accounting matters has spanned almost 40 years.

In accordance with its Terms of Reference, the Audit Committee examines and reviews on behalf of the Board, internal financial controls, financial and accounting policies and practices, the form and content of financial reports and statements, and the work of the external auditors. The Audit Committee is responsible for hiring, overseeing and terminating the independent registered public accounting firm and determining the compensation of such accountants. The Chief Financial Officer attends the meetings of the Audit Committee by invitation.

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Reliance on Certain Exemptions

At no time since the commencement of our most recently completed year have we relied on the exemptions in Section 2.4 (De Minimus Non-audit Services), Section 3.2 (Initial Public Offerings), Section 3.4 (Events Outside Control of Member), Section 3.50 (Death, Disability or Resignation of Audit Committee member) or Part 8 (Exemptions) of Canadian Multilateral Instrument 52-110 (MI 52-110).

Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of our most recently completed fiscal year have we relied on the exemption in Subsection 3.3(2) (Controlled Companies) or Section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances) of MI 52-110.

Reliance on Section 3.8

At no time since the commencement of our most recently completed fiscal year have we relied on Section 3.8 (Acquisition of Financial Literacy).

Audit Committee Oversight

At no time since the commencement of our most recently completed fiscal year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Audit Committee Charter

A copy of the Terms of Reference for the Audit Committee, which functions as its charter, is attached to this Proxy Statement as Appendix A and is available on our website at www.gastar.com.

Audit Committee Report

The Audit Committee assists the Board of Directors in overseeing matters relating to our accounting and financial reporting practices, the adequacy of its internal controls and the quality and integrity of its financial statements and is responsible for selecting and retaining the independent auditors. The Audit Committee's responsibilities are more fully described in its Terms of Reference. Our management is responsible for preparing our financial statements and the independent auditors are responsible for auditing those financial statements. The Audit Committee does not provide any expert or special assurance as to our financial statements or any professional certification as to the independent auditors work. The Audit Committee met four times during the year ended December 31, 2009.

In fulfilling its oversight responsibilities, the Audit Committee reviewed our audited financial statements as of and for the year ended December 31, 2009 and discussed them with management and BDO Seidman, LLP, our independent registered public accounting firm. The Audit Committee discussed and reviewed with BDO Seidman, LLP all matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board on Rule 3200T.

The Audit Committee has received the written disclosures and the letter from BDO Seidman, LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent consultants' communications with the Audit Committee concerning independence and has discussed with BDO Seidman, LLP its independence from us and our management.

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Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that our audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2009.

GASTAR EXPLORATION LTD.

AUDIT COMMITTEE

/s/ Robert D. Penner, Chairman

/s/ Randolph C. Coley

/s/ John R. Rooney

/s/ John M. Selser

This report of the Audit Committee shall not be deemed soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporate by reference into a document filed under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act.

* * *

Remuneration Committee

The compensation committee of the Board, which we refer to as the Remuneration Committee, currently is comprised of Messrs. Penner (Chairman), Coley, Rooney and Selser. None of our executive officers serves as a member of a board of directors or compensation committee (or committee performing similar functions) of any other entity, one or more of whose executive officers serve on our Board or Remuneration Committee.

The aim of the Remuneration Committee is to award and compensate our officers and employees in a manner which provides incentives for the enhancement of shareholder value, for the successful implementation of our business plan and for continuous improvement in corporate and personal performance. The compensation program is based on a pay-for-performance philosophy and consists of three components: base salary, annual incentive (bonus) paid in cash and long-term equity based incentives.

The Remuneration Committee reviews and recommends the compensation philosophy and guidelines for us which include reviewing the compensation philosophy and guidelines for employees, including recommendation to the Board for its consideration and approval related to annual salary, incentive policies and programs, material new benefit programs and material changes to existing benefit programs.

The Remuneration Committee reviews on an annual basis the cash compensation, performance and overall compensation package for each executive officer. It then submits to the Board recommendations with respect to the base salary, bonus and participation in long-term incentive compensation arrangements for each executive officer. In conducting its review, the Remuneration Committee was satisfied that all recommendations complied with the Remuneration Committee's philosophy and guidelines. In 2008, the Remuneration Committee, at the request of the Board, retained an independent consulting firm to prepare a summary regarding current executive compensation environment practices in today's market. In determining 2009 annual incentive cash awards, the Remuneration Committee used compensation data provided by Equilar, Inc. (Equilar), a company that monitors executive and board compensation, equity grants and award policies and corporate compensation practices. For more information on the role of the Remuneration Committee and the use independent consulting firms and market d