Gastar Exploration Inc. Form 10-K March 10, 2016 Table of Contents
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2015
or

oTRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-35211

#### GASTAR EXPLORATION INC.

(Exact name of registrant as specified in its charter)

Delaware 38-3531640 (State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

1331 Lamar Street, Suite 650 Houston, Texas 77010 (Address of principal executive offices) (Zip Code)

(713) 739-1800

Title of each class

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Name of exchange on which

registered

Common Stock, par value \$0.001 per share

NYSE MKT LLC

8.625% Series A Cumulative Preferred Stock, par value \$0.01 per share

NYSE MKT LLC

10.75% Series B Cumulative Preferred Stock, par value \$0.01 per share

NYSE MKT LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer x

Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes o No x

The aggregate market value of the voting and non-voting common equity of Gastar Exploration Inc. held by non-affiliates of Gastar Exploration Inc. as of June 30, 2015 (the last business day of Gastar Exploration Inc.'s most recently completed second fiscal quarter) was approximately \$233.9 million based on the closing price of \$3.09 per share on the NYSE MKT LLC.

The total number of shares of common stock, par value \$0.001 per share, outstanding as of March 7, 2016 was 81,837,275.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

## Table of Contents

## GASTAR EXPLORATION INC. AND SUBSIDIARIES

## ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2015

#### TABLE OF CONTENTS

		Page
PART I		
Item 1.	Business	9
	<u>Overview</u>	9
	<u>Our Strategy</u>	9
	Oil and Natural Gas Activities	11
	Markets and Customers	17
	Competition	18
	Seasonal Nature of Business	18
	U.S. Governmental Regulation	18
	Regulation of Exploration and Production	19
	U.S. Environmental and Occupational Safety and Health Regulation	21
	Industry Segment and Geographic Information	26
	Insurance Matters	26
	Filings of Reserve Estimates with Other Agencies	26
	Employees	27
	Corporate Offices	27
	Available Information	27
Item 1A.	Risk Factors	27
	Unresolved Staff Comments	43
Item 2.	Properties	43
	Production, Prices and Operating Expenses	44
	Drilling Activity	45
	Exploration and Development Acreage	46
	Undeveloped Acreage Expirations	46
	Productive Wells	47
	Oil and Natural Gas Reserves	47
Item 3.	Legal Proceedings	50
Item 4.	Mine Safety Disclosure	50
PART II	Name Survey Districture	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of	f Equity
	Securities	50
	Market Information	50
	Stockholders	51
	<u>Dividends</u>	51
	Issuer Purchases of Equity Securities	51
	Recent Sales of Unregistered Securities	51
Item 6.	Selected Financial Data	51
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	52
100111 /.		<i>51</i>

	<u>Overview</u>	52
	Financial Highlights	54
	Results of Operations	54
	<u>Liquidity and Capital Resources</u>	62
	Off-Balance Sheet Arrangements	66
	<u>Contractual Obligations</u>	66
	Commitments	66
	Critical Accounting Policies and Estimates	67
	Recent Accounting Developments	70
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	70
	Commodity Price Risk	71
	Interest Rate Risk	71
Item 8.	Financial Statements and Supplementary Data	72
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	120