PETROHAWK ENERGY CORP
Form PRE 14C
December 01, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14C

INFORMATION REQUIRED IN INFORMATION STATEMENT

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c) of
the Securities Exchange Act of 1934

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Information Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))**

o Definitive Information Statement

PETROHAWK ENERGY CORPORATION

(Name of Registrant as Specified In Its Charter)

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

PETROHAWK ENERGY CORPORATION

1100 LOUISIANA, SUITE 4400
HOUSTON, TEXAS 77002

December , 2004

Dear Stockholder:

Petrohawk recently completed an important transaction. On November 23, 2004, we acquired Wynn-Crosby Energy, Inc. and nine of the limited partnerships it manages (the "Acquisition") for a cash purchase price of approximately $422 million.

To finance a portion of the purchase price, we issued $200 million of our Series B 8% Automatically Convertible Preferred Stock ("Series B preferred stock") to a group of qualified institutional buyers. The currently outstanding shares of Series B preferred stock are convertible into an aggregate of 25,806,450 shares of our common stock. We obtained an additional $210 million in debt financing through a new revolving credit facility and a second-lien term loan facility with BNP Paribas as the lead bank and administrative agent. In order to accommodate the issuance of our common stock upon conversion of the Series B preferred stock, our board of directors approved an amendment to our certificate of incorporation to increase the number of our authorized shares of common stock from 50 million to 75 million shares. In addition, our board approved an amendment to our 2004 Employee Incentive Plan to increase the aggregate number of shares that can be issued under the plan from 750,000 to 2,750,000.

PHAWK, LLC, which holds a majority of our outstanding common stock, approved the conversion of the Series B preferred stock into common stock, the amendment of our certificate of incorporation to increase our authorized shares of common stock from 50 million to 75 million shares, and the amendment of our 2004 Employee Incentive Plan to increase the aggregate number of shares of common stock that may be issued under the plan to a total of 2,750,000, each by written consent as permitted by the Delaware General Corporation Law and our bylaws. These written consents will become effective on the day following the twentieth day after we mail this information statement to our stockholders, or about December 31, 2004.

We are furnishing this information statement to provide you with important information about these matters. Please read the information statement carefully. We thank you for your continued support.

/s/ FLOYD C. WILSON

Floyd C. Wilson

Chairman of the Board, President and
Chief Executive Officer

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PETROHAWK ENERGY CORPORATION

1100 LOUISIANA, SUITE 4400
HOUSTON, TEXAS 77002

December , 2004

INFORMATION STATEMENT
AND
NOTICE OF ACTION TAKEN WITHOUT A MEETING

We are furnishing this information statement and notice of actions taken without a meeting to our stockholders in connection with the approval by our board of directors of the matters described below and the subsequent approval of these matters by written consent of the holder of a majority of our outstanding common stock. All corporate approvals in connection with these matters have been obtained and this information statement is furnished solely for the purpose of informing stockholders of these corporate actions in the manner required by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Delaware General Corporation Law and our bylaws.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

The record date for determining stockholders entitled to receive this information statement has been established as the close of business on November 29, 2004. On that date, there were 13,946,075 shares of our common stock, par value $0.001 per share, 598,271 shares of our Series A Convertible Preferred Stock ("Series A preferred stock"), and 2,580,645 shares of our Series B 8% Automatically Convertible Preferred Stock ("Series B preferred stock") issued and outstanding.

ACTIONS APPROVED BY WRITTEN CONSENT

The corporate actions described in this information statement were approved on three separate occasions by the written consent of the holder of a majority of our outstanding common stock, par value $0.001 per share, in accordance with the Delaware General Corporation Law and our bylaws. Only holders of our common stock and Series A preferred stock were entitled to vote on matters submitted to our stockholders.

On October 29, 2004, PHAWK, LLC ("PHAWK"), the holder of a majority of our outstanding common stock, approved by written consent the issuance of shares of common stock underlying the shares of our Series B preferred stock. On that date, there were approximately 13.92 million shares of our common stock and 598,271 shares of our Series A preferred stock issued and outstanding.

On November 19, 2004, PHAWK approved by written consent the amendment to our certificate of incorporation to increase our authorized shares of common stock from 50 million to 75 million shares. On that date, there were approximately 13.95 million shares of our common stock and 598,271 shares of our Series A preferred stock issued and outstanding.

On November 29, 2004, PHAWK approved by written consent an amendment to our 2004 Employee Incentive Plan to increase the aggregate number of shares of common stock (including common stock options) that can be issued under the plan from 750,000 to 2,750,000 and to increase the number of shares of incentive and restricted stock issuable under the plan from 375,000 to 1,375,000 shares. On that date, there were approximately 13.95 million shares of our common stock, 598,271 shares of our Series A preferred stock, and 2.58 million shares of our Series B preferred stock issued and outstanding.

In accordance with the Exchange Act, the written consent and the approval of the matters described in the written consent will become effective on the day following the twentieth day after this information statement is mailed to our stockholders. This information statement is being mailed to stockholders on or about December 11, 2004.

FORWARD-LOOKING STATEMENTS

Included and incorporated by reference in this information statement are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in or incorporated by reference into this information statement that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements. The words "should," "believe," "intend," "expect," "anticipate," "project," "estimate," "predict," "plan" and similar expressions are also intended to identify forward-looking statements.

These forward-looking statements include, but are not limited to, statements regarding:

- estimates of proved reserve quantities and net present values of those reserves;
- estimates of probable and possible reserve quantities;
- reserve potential;
- business strategy;
- estimates of future commodity prices;
- amounts and types of capital expenditures and operating expenses;
- expansion and growth of our business and operations;
- expansion and development trends of the oil and natural gas industry;
- production of oil and natural gas reserves;
- exploration prospects;
- wells to be drilled, and drilling results;
- operating results and working capital; and
- future methods and types of financing.

Such forward-looking statements involve assumptions and are subject to known and unknown risks and uncertainties that could cause actual results or performance to differ materially from those expressed or implied by such forward-looking statements. Although we believe that the assumptions reflected in such forward-looking statements are reasonable, we can give no assurance that such assumptions will prove to have been correct. Forward-looking statements speak only as of the date they are made and we undertake no obligation to update them.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our proxy statement, filed April 23, 2004, our annual report on Form 10-K, as amended on April 20, 2004, for our fiscal year ended December 31, 2003, our proxy statement filed June 23, 2004, our quarterly report on Form 10-Q, for our quarter ended March 31, 2004, our quarterly report on Form 10-Q, for our quarter ended June 30, 2004, our quarterly report on Form 10-Q, for our quarter ended September 30, 2004, our current report on Form 8-K filed on May 25, 2004, our current report on Form 8-K filed on July 16, 2004, our current report on Form 8-K filed on July 20, 2004, our current report on Form 8-K as amended on July 27, 2004, our current report on Form 8-K filed on August 18, 2004, our current report on Form 8-K filed on September 20, 2004, our current report on Form 8-K as amended on October 21, 2004, our current report on Form 8-K filed on November 2, 2004, and our current report on Form 8-K filed on November 24, 2004, and our current report on Form 8-K/A filed on December 1, 2004 (excluding any information furnished pursuant to Item 9 or 7.01 or Item 12 or 2.02 of any such current report on Form 8-K) are incorporated by reference in, and are an integral part of, this information statement, and references to this "information statement" include the documents incorporated by reference into this information statement.

All documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished pursuant to Item 2.02 or Item 7.01 on any current report on Form 8-K) subsequent to the date of this filing shall be deemed to be incorporated in this information statement and to be a part hereof from the date of the filing of such document. Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for all purposes to the extent that a statement contained in this information statement, or in any other subsequently filed document which is also incorporated or deemed to be incorporated by reference, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this information statement.

WHERE YOU CAN FIND MORE INFORMATION

Our SEC filings are available to the public over the Internet at the SEC's web site at *www.sec.gov*. You may also read and copy any document we file at the SEC's public reference rooms located at 450 Fifth Street, N.W., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. In addition, through our website, *www.petrohawk.com*, you can access electronic copies of documents we file with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and any amendments to those reports. Information on our website is not incorporated by reference in this information statement. Access to those electronic filings is available as soon as practical after filing with the SEC.

ACTIONS BY WRITTEN CONSENT

Issuance of Shares of Our Common Stock Upon Conversion of Our Series B Preferred Stock

On November 23, 2004, we acquired Wynn-Crosby Energy, Inc. and nine of the limited partnerships it manages ("Wynn-Crosby") for total consideration of approximately $422 million in cash (the "Acquisition"). To finance a portion of the Acquisition purchase price, our Board approved the private offering and issuance of our Series B preferred stock. On November 23, 2004, we sold 2,580,645 shares of Series B preferred stock at $77.50 per share for a total of approximately $200 million. Each share of Series B preferred stock is convertible into ten (10) shares of common stock, or 25,806,450 shares in the aggregate, which would represent 46.6% of our fully diluted common stock. Because our common stock is traded on the Nasdaq National Market and we are therefore subject to Nasdaq Marketplace Rule 4350(i)(1)(c)(ii), we must obtain stockholder approval before issuing common stock equal to 20% or more of our outstanding common stock. Pursuant to Section 228 of Delaware General Corporation Law, the written consent of the holders of shares of our outstanding capital stock, having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, may be substituted for such meeting. On October 29, 2004, PHAWK, the holder of 7,575,757 shares of our common stock, representing a majority of our then outstanding voting power, approved by written consent the issuance of common stock upon conversion of all shares of Series B preferred stock.

Increase in the Number of Authorized Shares of Our Common Stock

To ensure that we will have a sufficient number of authorized but unissued shares of our common stock available for issuance upon the conversion of our Series B preferred stock, we must obtain stockholder approval of an amendment to our certificate of incorporation to increase our authorized shares of common stock from 50 million to 75 million shares.

PHAWK approved by written consent the amendment to our certificate of incorporation to increase our authorized shares of common stock to 75 million shares on November 19, 2004.

Amendment to Our 2004 Employee Incentive Plan

The 2004 Employee Incentive Plan was approved by our stockholders on July 15, 2004. This plan permits us to grant to our employees shares of common stock with no restrictions (referred to in the plan as "Incentive Stock"), shares of common stock with restrictions (referred to in the plan as "Restricted Stock") and options to purchase shares of our common stock. The maximum number of shares of common stock issuable under the 2004 Employee Incentive Plan is 750,000 shares (subject to adjustment in the event of a recapitalization or other corporate action affecting the number of shares outstanding). On November 29, 2004, PHAWK, the holder of 7,575,757 shares of our common stock, representing a majority of our then outstanding voting power, approved by written consent an amendment to our 2004 Employee Incentive Plan to increase the aggregate number of shares of common stock (including common stock options) that may be issued under the plan from 750,000 shares to 2,750,000 shares, and to increase the number of shares of Incentive Stock and Restricted Stock issuable under the plan from 375,000 shares to 1,375,000 shares.

No Further Stockholder Action Needed

As a result of these written consents, stockholder approval of the amendment to our certificate of incorporation, the issuance of our common stock upon conversion of the outstanding Series B preferred stock, and the amendment to our 2004 Employee Incentive Plan has been obtained. We were not required under the Delaware General Corporation Law, our certificate of incorporation or our bylaws to obtain stockholder approval to effect the Acquisition or issue the Series B preferred stock. Accordingly, all necessary corporate approvals in connection with the matters referred to herein have been obtained and no further votes will be needed. Under Exchange Act Rule 14c-2, the actions authorized by written consent will become effective on the day following the twentieth day after we first mailed this information statement to our stockholders, or about December 31, 2004. Our board of directors does not intend to solicit any proxies or consents in connection with the foregoing actions.

This information statement is furnished solely for the purpose of informing stockholders regarding the actions taken by written consent, and is being provided pursuant to the requirements of Rule 14c-2 promulgated under Section 13 of the Exchange Act.

Reasons for the Actions Taken

We sold 2,580,645 shares of Series B preferred stock for a total of approximately $200 million to finance a portion of the purchase price of the Acquisition. Issuance of the Series B preferred stock permitted us to complete the Acquisition on the terms and within the time period negotiated with the sellers. The increase of our authorized shares of common stock from 50 million to 75 million shares ensures that we will have a sufficient number of shares of common stock to issue upon the conversion of our Series B preferred stock.

The amendment to our 2004 Employee Incentive Plan will permit our board of directors to make stock options, Restricted Stock and Incentive Stock awards to our management and employees representing, in the aggregate, up to ten percent (10%) of our outstanding common stock. Our board of directors and management believe that the 2004 Employee Incentive Plan will help attract and retain competitively superior employees and promote long-term growth and profitability by aligning employee and stockholder interests. A summary of the essential features of the 2004 Employee Incentive Plan is provided below, but is qualified in its entirety by reference to the full text of the plan, which is incorporated herein by reference to our proxy statement filed with the SEC on June 23, 2004, and by reference to the amendment to the plan, which is attached to this information statement as Appendix B.

Effects of the Proposed Issuance and the Amendment to Our 2004 Employee Incentive Plan

The issuance of a significant amount of common stock upon conversion of our Series B preferred stock and/or the issuance of additional options or common stock under our 2004 Employee Incentive Plan may adversely affect the price of our common stock. We have agreed to file a registration statement to permit the public resale of the shares of common stock underlying the Series B preferred stock and certain shares of common stock held by PHAWK. The influx of such a substantial number of shares into the public market could also have a significant negative effect on the trading price of our common stock. As of November 29, 2004 approximately 13.95 million shares of common stock were outstanding, and approximately 41.5 million shares of common stock were issuable upon conversion or exercise of outstanding options, warrants, Series A preferred stock, Series B preferred stock and other convertible securities. An additional 25.8 million shares of common stock will be outstanding upon automatic conversion of the outstanding Series B preferred stock. Issuance of these shares of common stock, options or restricted stock may substantially dilute the ownership interests of our existing stockholders. The issuance of such additional shares of common stock or options may create downward pressure on the trading price of our common stock. In recent years broad stock market indices, in general, and smaller capitalization companies, in particular, have experienced substantial price fluctuations. In a volatile market, we may experience wide fluctuations in the market price of our common stock. These fluctuations may also have a negative effect on the market price of our common stock.

NO DISSENTER'S RIGHTS

The corporate action described in this information statement will not afford to stockholders the opportunity to dissent from the actions described herein or to receive an agreed or judicially appraised value for their shares.

INTEREST OF CERTAIN PERSONS IN THE ACTIONS TAKEN

No person who has been an officer or director of Petrohawk since the beginning of January 1, 2003 has any substantial interest by security holding or otherwise, in the issuance of the shares of common stock underlying the outstanding shares of our Series B preferred stock, the increase in the number of our authorized shares of common stock, or the amendment of our 2004 Employee Incentive Plan.

THE COMPANY

We are an independent energy company engaged in the acquisition, development, production and exploration of natural gas and oil. Our properties are concentrated in the South Texas, East Texas, Anadarko, Arkoma and Permian Basin regions. As of July 1, 2004, on a pro forma basis including the recent acquisition of Wynn-Crosby and the August 2004 acquisition of properties in the Gulf Coast region from PHAWK, LLC, discussed below, we had estimated total net proved reserves of approximately 233 Bcfe, of which approximately 74% were natural gas and approximately 76% were classified as proved developed.

We have increased our proved reserves and production principally through acquisitions. We focus on properties within our core operating areas that have a significant proved reserve component and which management believes have additional development and exploration opportunities. Through the acquisition of the PHAWK properties, we have also acquired an interest in a number of exploratory drilling prospects defined by 79 square miles of recently reprocessed 3-D seismic data.

Petrohawk is a Delaware corporation originally organized in Nevada in June 1997 as "Beta Oil & Gas, Inc." Our principal offices are located at 1100 Louisiana Street, Suite 4400, Houston, Texas 77002, telephone number (832) 204-2700, fax number (832) 204-2800, and our website can be found at *www.petrohawk.com*. Unless specifically incorporated by reference in this information statement, information that you may find on our website is not part of this information statement.

Recent Developments

We have recently completed several transactions:

Acquisition of Control by PHAWK, LLC. On May 25, 2004, PHAWK, LLC (formerly known as Petrohawk Energy, LLC), which is owned by affiliates of EnCap Investments, L.P., Liberty Energy Holdings LLC, Floyd C. Wilson and other members of our management, purchased a controlling interest in us for $60 million in cash. The $60 million investment was structured as the purchase by PHAWK of 7.576 million shares of our common stock for $25 million, a $35 million five year 8% subordinated note convertible into approximately 8.75 million shares of our common stock and warrants to purchase 5 million shares of our common stock at a price of $3.30 per share (after giving effect to a one-for-two reverse split of our common stock implemented in May 2004). As of October 26, 2004, PHAWK owned approximately 55% of our outstanding common stock, or approximately 77% assuming the exercise and conversion of all securities purchased by it in May 2004. After giving effect to the conversion of the Series B preferred stock into common stock, PHAWK will own approximately 19% of our outstanding common stock, or approximately 40% assuming the exercise and conversion of all securities purchased by it in May 2004. In connection with the investment by PHAWK, Mr. Wilson was named our Chairman, President and Chief Executive Officer, our board of directors and other management was changed, and our corporate offices were relocated from Tulsa, Oklahoma to Houston, Texas. Also, at our annual stockholders meeting held July 15, 2004, our stockholders approved changing the name of the company to Petrohawk Energy Corporation (from Beta Oil & Gas, Inc.), reincorporating the company in Delaware, and the adoption of new stock option plans.

Acquisition of PHAWK Properties. On August 11, 2004, we acquired from PHAWK certain oil and gas properties in the Breton Sound area, Plaquemines Parish, Louisiana and in the West Broussard field in Lafayette Parish, Louisiana having approximately 2.9 Bcfe of estimated proved reserves. This purchase included the acquisition of 79 square miles of recently reprocessed 3-D seismic data and a 25% working interest in eight leased drilling prospects covering 2,528 gross acres in the Breton Sound/Main Pass area as well as two producing wells, pipelines and associated production facilities in Breton Sound Blocks 11 and 23. A 14% working interest (approximately 10% net revenue interest) was acquired in the Montesano #1 well in the West Broussard field. The Montesano #1 well was placed on production in August 2004. The purchase price for all of the proved reserves, seismic data, undeveloped acreage, pipelines, production facility and other assets was $8.5 million in cash. The effective date of the acquisition was June 1, 2004 and the effects of this transaction were first reported in our results for the quarter ending September 30, 2004.

Acquisition of Wynn-Crosby. On November 23, 2004, we acquired Wynn-Crosby Energy, Inc. and nine of the limited partnerships it managed for a purchase price of approximately $422 million in cash after closing adjustments.

In connection with the Acquisition, Netherland, Sewell & Associates, Inc., our independent petroleum engineering consultants, evaluated the proved reserves associated with working interest properties, and our reserve engineers evaluated proved reserves associated with royalty interest properties, resulting in approximately 200 Bcfe of total estimated proved reserves at July 1, 2004. Additionally, 74% of the proved reserves are natural gas and 75% are classified as proved developed. Approximately 60% of the working interest proved reserves are operated.

The properties we acquired in the Acquisition are primarily located in the South Texas, East Texas, Anadarko, Arkoma and Permian Basin regions. Production for the six months ending June 30, 2004 averaged approximately 48 Mmcfe per day. The reserves-to-production ratio for these properties is estimated to be approximately 12 years.

The acquired properties include approximately 75,000 net undeveloped acres in the Arkoma Basin in Arkansas, as well as what we believe to be significant exploration opportunities in South Louisiana, South Texas and the Anadarko Basin.

Major properties in the Wynn-Crosby asset base include interests in La Reforma, a significant Vicksburg formation field in South Texas, the Dry Hollow and Provident City fields in the Wilcox trend of Lavaca County, Texas, and the Los Indios, Nabors, Ann Mag and McAllen Ranch fields in South Texas. In the East Texas basin, significant properties include interests in the South Carthage, North Beckville and Blocker fields. Other key properties include interests in the Waddell Ranch, Teague and ROC fields in the Permian Basin, the Kinta, Cedars, and Pine Hollow fields in the Arkoma Basin and the Lipscomb and Eakly-Weatherford fields in the Anadarko Basin.

Credit Facilities. In connection with the Acquisition, we entered into a new revolving credit facility and a new second lien term loan facility, with BNP Paribas as the lead bank and administrative agent. The revolving credit facility is in the amount of $400 million, with an initial borrowing base of $200 million. $160 million was drawn on the revolving credit facility at the closing of the Acquisition. Borrowings under the facility are secured by a first priority lien on substantially all of our assets. The revolving credit facility contains customary financial and other covenants. The facility matures on November 23, 2008. The second lien facility is in the amount of $50 million and was fully drawn at the closing of the Acquisition. Borrowings under the second lien facility are secured by a second priority lien on substantially all of the assets securing the revolving credit facility. The second lien facility matures on February 24, 2009.

Our Properties

Information regarding our estimated proved reserves and properties is presented below. Information relating to estimated proved reserves and production volumes includes the recently acquired PHAWK properties and Wynn-Crosby properties, all as of the periods indicated. We acquired the PHAWK properties in August 2004 and the Wynn-Crosby properties on November 23, 2004.

	July 2004 Estimated Average Net Daily Production	Proved Reserves at July 1, 2004(1)	
Area	**(Mmcfe/d)**	**Total (Bcfe)**	**Gas (%)**
Anadarko	15.6	60.7	76.6
South Texas	15.0	55.1	88.3
Permian Basin	7.7	36.1	58.1
East Texas	3.3	20.3	84.4
Arkoma	5.3	20.1	81.8
Gulf Coast(1)	4.3	13.7	72.6
Royalty Interests	5.5	26.6	47.2
Total	56.7	232.6	74.0

(1) Includes approximately 2.9 Bcfe of estimated proved reserves we acquired from PHAWK on August 11, 2004 in the Breton Sound area, Plaquemines Parish, Louisiana and in the West Broussard field in Lafayette Parish, Louisiana.

Prior to the closing of the Acquisition, Wynn-Crosby, at our request, entered into the hedges reflected in the table below:

	Gas Collars			Oil Collars		
Time Period	**Monthly Volume (Mmbtu)**	**Average NYMEX Floor Price/Mmbtu**	**Average NYMEX Ceiling Price/Mmbtu**	**Monthly Volume (Bbl)**	**Average NYMEX Floor Price/Bbl**	**Average NYMEX Ceiling Price/Bbl**
01/01/05 - 12/31/05	400,000	$ 6.35	$ 10.05	27,000	$ 43.00	$ 57.00
01/01/06 - 12/31/06	400,000	5.50	9.54	27,000	40.00	49.30
01/01/07 - 12/31/07	240,000	5.30	7.12	14,000	35.00	43.20
01/01/08 - 12/31/08	210,000	5.00	6.45			

Wynn-Crosby, at our request, also entered into an oil swap for 12,000 Bbls per month at 38.10 per Bbl for the 2008 calendar year.

In addition to the hedges entered into by Wynn-Crosby prior to the Acquisition, we had the following hedges in place at November 30, 2004:

	Gas Collars			Oil Collars		
Time Period	**Monthly Volume (Mmbtu)**	**Average NYMEX Floor Price/Mmbtu**	**Average NYMEX Ceiling Price/Mmbtu**	**Monthly Volume (Bbl)**	**Average NYMEX Floor Price/Bbl**	**Average NYMEX Ceiling Price/Bbl**
01/01/05 - 12/31/05	170,000	$ 5.68	$ 7.89	9,000	$ 43.00	$ 52.30
01/01/06 - 12/31/06	150,000	6.00	8.26	7,000	40.00	47.30
01/01/07 - 12/31/07				6,000	36.00	47.75
01/01/08 - 12/31/08	90,000	5.15	6.71	5,000	34.00	45.30

We have also put a gas swap in place for 100,000 Mmbtu per month for calendar 2007 at $6.06 per Mmbtu.

Our significant properties are described by area in the following paragraphs. The PHAWK properties and the Wynn-Crosby properties are included in the description.

Anadarko Basin. The West Edmond Hunton Lime Unit (WEHLU) is our largest property in this region, covering 30,000 acres (approximately 47 square miles) primarily in Oklahoma County, Oklahoma. The WEHLU field, originally discovered in 1942, is the largest Hunton Lime field in the state of Oklahoma. The field has 58 oil and natural gas wells (28 currently producing) with stable production holding the entire unit. We own a 98% working interest at WEHLU and we are the operator. We have an agreement with Avalon Exploration, Inc. of Tulsa, Oklahoma to jointly develop additional reserves and production in WEHLU. The area of mutual interest created by our agreement with Avalon covers 5,680 acres located in the central-northwest area of the field.

Other significant properties in this area include interests in the Lipscomb field in Lipscomb County, Texas where our working interests range from 75% to 100% and the Eakly-Weatherford field in Caddo County, Oklahoma, where working interests range from 1% to 26%. Production in these fields is from the Cleveland, Atoka, Morrow and Springer formations.

South Texas Area. Our properties in South Texas produce primarily from the Vicksburg, Wilcox and Frio formations which range in depth from approximately 5,500 feet to 12,500 feet. The La Reforma field, located in Starr and Hidalgo Counties, is the largest field in the Wynn-Crosby property base. La Reforma is a significant Vicksburg formation field and we own between 25% and 50% working interest in this area. We are conducting an active drilling program at La Reforma with one well currently being completed, one well currently drilling, and four locations expected to be drilled in 2005. The Vicksburg formation in this area is complexly faulted and 3-D seismic is extensively utilized to identify optimal structural targets. Wells in this field typically produce at initial rates of over 10.0 Mmcfe per day. Other Vicksburg/Frio fields in which we own a significant interest include Los Indios, Nabors, Ann Mag and McAllen Ranch. In the Wilcox trend of Lavaca County, we own between 20% and 25% working interest in the Dry Hollow field, which produces from 12,500 to 15,000 feet in depth. At Dry Hollow, we have identified three proved undeveloped locations and one location, which we expect to drill in 2005. We also own interests in the Provident City and North Borchers fields in Lavaca County.

Permian Basin. In the Permian Basin, our principal properties are in the Waddell Ranch field in Crane County, Texas, the ROC field in Ward County, Texas, and the Teague field in Lea County, New Mexico. Waddell Ranch is the largest field in West Texas and produces primarily from the Grayburg, San Andres and Clear Fork formations at depths from 3,000 to 4,000 feet. We own a 3.5% working interest in this property. The ROC field produces from the Ellenberger and Montoya formations at measured depths of 13,000 to 17,000 feet. We have identified four proved undeveloped locations in this field, where we own a working interest of between 5% to 25%. In the Teague field, production is from the Devonian and Seven Rivers, Queen and Grayburg formations at a depth of 4,000 to 8,000 feet. We own a 94% working interest in this property and have identified two proved undeveloped locations.

East Texas Area. Our properties in the East Texas basin produce primarily from the Cotton Valley and Travis Peak formations which range in depth from approximately 6,500 to 10,000 feet. We own significant interests in the South Carthage, North Beckville and Blocker fields in Panola and Harrison Counties, Texas. Our working interest in these fields is between 47% and 100%. The producing formations of this area tend to contain multiple producing horizons and are typically low permeability sands that require fracture stimulation to achieve optimal producing rates. This type of fracture stimulation usually results in relatively high initial production rates that decline rapidly during the first year of production and subsequently stabilize at fairly low, more easily predictable annual decline rates. Much of our production in this area is from wells that have been producing for several years and are in the latter, more stable stage of production, resulting in a relatively long reserves to production ratio.

Arkoma Basin. In the Arkoma Basin, our properties produce primarily from the Atoka formation at depths of 2,500 to 6,000 feet. We own significant interests in the Kinta, Cedars and Pine Hollow fields in Pittsburg and Haskell Counties, Oklahoma. Our working interest in these fields is between 23% and 100%. Portions of our acreage in this region are near the Pine Hollow South field, where a new shale gas drilling play is currently evolving. In addition, we own approximately 75,000 net undeveloped acres in Logan, Scott and Yell Counties, Arkansas.

Gulf Coast Area. Our largest property in the Gulf Coast region is the West Broussard field, which is located in Lafayette Parish, Louisiana. In 2003, the Failla #1 well was drilled and completed, with the well being placed on production in September 2003. Currently, the well is producing approximately 15.0 gross Mmcf of natural gas and 350 gross barrels of oil per day. We have an approximate 9% working interest in this well. An additional development well, the Montesano #1, was drilled and completed during the third quarter of 2004. The well was placed on production in August 2004 and is currently producing approximately 10.2 gross Mmcf of natural gas and 290 gross barrels of oil per day. We own a 23.1% working interest in this well, which will increase to approximately 29.6% working interest after payout. The Failla #1 and Montesano #1 wells produce from the Bol Mex 3 formation at approximately 15,830 feet.

Through the PHAWK properties acquisition, we acquired properties in the Breton Sound/Main Pass area in Louisiana state waters. This acquisition included 79 square miles of recently reprocessed 3-D seismic data and a 25% working interest in 8 leased drilling prospects covering 2,528 acres in the Breton Sound/Main Pass area, as well as two producing wells, pipelines and associated production facilities. The main objective formation is the Tex W at a depth of 11,500 feet. Wells in this area generally produce at high rates and are short lived.

In the Acquisition, we acquired between 5% and 12% working interest in the Ship Shoal 208/239 field located in federal waters, offshore Louisiana. In South Louisiana, we also own minor interests in the South Lake Arthur field, Vermilion Parish, which has produced over 1 Tcfe from the Myogyp formation. In addition, we own interests in Old Ocean, a large Frio formation field in Brazoria County, Texas.

Royalty Interest Properties. Through the Acquisition, we own royalty interests in approximately 1,500 wells located in various oil and gas producing basins. As of July 2004, these non-cost bearing assets produced an estimated 5.5 Mmcfe per day and are approximately 55% gas on an equivalent production basis. The majority of these assets are located in the Permian Basin.

FINANCING THE ACQUISITION

To finance the Acquisition and to fund working capital and capital expenditure requirements of the acquired business, on November 23, 2004 we issued approximately $200 million of our Series B preferred stock and incurred $210 in bank debt.

Series B Preferred Stock

On November 23, 2004, we completed a private offering of 2,580,645 shares of Series B preferred stock pursuant to the private placement exception from registration provided in Regulation D, Rule 506, under Section 4(2) of the Securities Act. We received gross proceeds of approximately $200 million from the sale of our Series B preferred stock. We paid the placement agent a cash fee of $12 million for providing services as placement agent with respect to these shares. It is estimated that the total of all costs, expenses and fees in connection with the private offering, including the placement agent's reasonable out-of-pocket expenses, including financial advisory fees to third parties of approximately $1.5 million, will be approximately $15 million.

Shares of Series B preferred stock were offered and sold only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) with whom the placement agent had a pre-existing relationship in reliance on applicable exemptions from registration provided under the Securities Act.

We expect the Series B preferred stock to convert into common stock on or about December 31, 2004. However, if such conversion has not occurred on or before March 31, 2005, holders of the Series B preferred stock are entitled to receive quarterly dividends accruing from the date of initial issuance at a rate of 8% per annum. Accrued and unpaid dividends on the Series B preferred stock that remain unpaid as of a quarterly dividend payment date will accrue additional dividends at a rate of 12% per annum until paid.

Upon our voluntary or involuntary liquidation, dissolution or winding up, holders of Series B preferred stock will be entitled to receive a liquidation preference of the initial issuance price plus accrued and unpaid dividends through the date of liquidation, before any payment or distribution is made to holders of common stock or other junior securities. We will be required to redeem all outstanding shares of the Series B preferred stock 91 days following the initial maturity date of our new senior revolving credit facility. The holders of the Series B preferred stock generally have no voting rights except as required by law or described below. If the conversion has not occurred by the earlier of the record date for our annual meeting of stockholders for 2005 or August 31, 2005, the holders of Series B preferred stock, voting separately as a class, will be entitled to elect two additional members to our board of directors. In addition, we may not, without the approval of the holders of two thirds of our Series B preferred stock, amend our certificate of designation or bylaws in a manner that would adversely impact the holders of Series B preferred stock, authorize or increase the authorized amount of any senior or parity securities, or liquidate or enter into any agreement regarding a change of control without providing for the redemption of the Series B preferred stock.

The Series B preferred stock and the common stock issuable upon conversion thereof have not been registered under the Securities Act or any state securities laws, and absent an effective registration statement, may not be offered or sold except to us or our subsidiaries or to a "qualified institutional buyer" (as defined in Rule 144A) pursuant to an exemption from registration. We have entered into a registration rights agreement for the benefit of the holders of Series B preferred stock sold in the private offering, pursuant to which we have agreed to use commercially reasonable efforts to (i) file with the SEC on or before December 31, 2004, a registration statement covering resales of common stock issuable upon conversion of the Series B preferred stock (and in certain circumstances, covering resales of the Series B preferred stock), and (ii) cause such registration statement to be declared effective by the SEC as promptly as reasonably practicable after it is filed. We filed a registration statement on Form S-3 with the SEC on December 1, 2004. In the event the registration statement is not declared effective before June 30, 2005, the dividend rate payable on the Series B preferred stock will increase to 8.5% per annum, and if the Series B preferred stock has been converted into common stock, we will make a quarterly payment of $0.01 per common share to the holders of the common stock until the registration statement has been declared effective.

For additional information about the terms of our Series B preferred stock and other outstanding capital stock, see "Description of Capital Stock."

Debt Financing

Petrohawk entered into two new credit facilities with BNP Paribas as lead bank and administrative agent. Set forth below is a summary of each of the facilities.

Senior Revolving Credit Facility

A senior revolving credit facility in the approximate amount of $400 million has been provided by BNP Paribas and a group of lenders. Availability under the revolver is restricted to the borrowing base. The initial borrowing base is $200 million, and such borrowing base will be subject to review and adjustment on a semi-annual basis. Amounts outstanding under the revolver bear interest at specified margins over the London Interbank Offered Rate ("LIBOR") of 1.25% to 2.5%. Such margins will fluctuate based on the utilization of the facility. Borrowings under the revolver are secured by first priority liens on substantially all of our assets, including equity interests in subsidiaries. We are subject to certain financial covenants pertaining to minimum working capital levels, minimum coverage of interest expenses, and a maximum leverage ratio. In addition, we are subject to covenants limiting dividends and other restricted payments, transactions with affiliates, incurrence of debt, changes of control, asset sales, and liens on properties. All amounts drawn under the revolver are due and payable on November 23, 2008. We have drawn $160 million on the senior revolving credit facility.

Second Lien Term Loan Facility

A second lien term loan facility in the amount of $50 million has been provided by BNP Paribas and a group of lenders. Any amounts repaid under the term loan may not be reborrowed. Borrowings under the term loan initially bear interest at LIBOR + 4.00%, increasing by 0.25% on a quarterly basis thereafter, subject to a ceiling of LIBOR + 5.00%. Borrowings under the term loan are secured by second priority liens on all of the assets (including equity interests) that secure the revolver. We are subject to certain financial covenants pertaining to a minimum asset coverage ratio and a maximum leverage ratio. In addition, we are subject to covenants limiting dividends and other restricted payments, transactions with affiliates, incurrence of debt, changes of control, asset sales, and liens on properties. We are obligated to repay 1% per annum of the original principal balance, with the remaining 96% of the original principal balance due and payable on February 24, 2009. We have borrowed the entire $50 million under the second lien term loan facility.

THE WYNN-CROSBY ACQUISITION

On November 23, 2004, we acquired Wynn-Crosby Energy, Inc. ("WCE") and nine of the limited partnerships it managed for a purchase price of approximately $422 million in cash after closing adjustments. The Acquisition was structured as the merger of nine newly formed Texas limited partnerships wholly owned by Petrohawk into nine limited partnerships (the "Partnerships") managed by WCE, and the merger of a newly formed Texas corporation wholly owned by Petrohawk into WCE. As a result of the mergers, Petrohawk is the sole owner of the Partnerships and WCE.

We will treat the Acquisition as an asset purchase for federal income tax purposes. The merger agreement relating to the merger of the Partnerships is referred to as the "Partnerships Merger Agreement," and the agreement relating to the merger of WCE is referred to as the "WCE Merger Agreement."

Both merger agreements contain customary representations and warranties of the parties which relate to various aspects of the businesses, financial statements and other matters of the parties. The representations and warranties of WCE and the Partnerships survive the closing for a period of six (6) months and there are two separate holdback amounts that can be drawn against by Petrohawk under indemnification provisions in the agreements in the event of a breach of representations or warranties. The Partnerships Merger Agreement provides for a $9.5 million holdback and the WCE Merger Agreement provides for a $500,000 holdback. The Partnerships Merger Agreement provides that no claim can be made against the holdback until claims totaling $4.25 million have been made and the WCE Merger Agreement provides that no claim can be made against the holdback until claims totaling $50,000 have been made. In each case, after the respective deductible has been reached, the entire holdback is available for indemnification. No indemnification is available under either agreement (a) in excess of the holdback or (b) for claims first asserted after the six month notice period.

SUMMARY HISTORICAL FINANCIAL DATA

Summary Historical Financial Data Petrohawk Energy Corporation

The following table sets forth Petrohawk's summary consolidated historical financial data that has been derived from (a) the audited consolidated statements of income and cash flows for Petrohawk for each of the years ended December 31, 2001, 2002, and 2003 and the audited balance sheet for Petrohawk as of December 31, 2003, (b) the unaudited condensed consolidated statements of income for Petrohawk for each of the nine months ended September 30, 2003 and 2004, (c) the unaudited condensed consolidated statement of cash flows for Petrohawk for the nine months ended September 30, 2004 and the unaudited balance sheet for Petrohawk as of September 30, 2004, and (d) unaudited supplemental financial information for oil and gas producing activities for each of the years ended December 31, 2001, 2002 and 2003 set forth in the notes to Petrohawk's audited financial statements for the years ended December 31, 2001, 2002 and 2003, and from Petrohawk's records for the nine months ended September 30, 2004. This discussion excludes the effects of the Acquisition and related financial transactions. You should read this historical financial data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Petrohawk's consolidated financial statements and notes thereto incorporated by reference herein.

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
	(in thousands, except per share data)				
Statement of Income Data:					
REVENUES:					
Oil and natural gas	$ 13,223	$ 9,446	$ 12,591	$ 9,170	$ 14,379
Field services	434	202	334	250	251
Total revenue	13,657	9,648	12,925	9,420	14,630
COSTS AND EXPENSES:					
Production:					
Lease operations	2,769	2,925	2,402	1,703	2,458
Production, severance and ad valorem taxes	852	533	875	654	781
Field services	340	195	185	144	131
General and administrative	2,527	2,057	2,678	1,907	4,017
Stock-based compensation			252	212	2,925
Full cost ceiling impairment	13,805	5,164	129		
Depreciation, depletion and amortization	5,177	5,121	4,858	3,813	3,532
Accretion of asset retirement obligations			50	41	69
Total costs and expenses	25,470	15,995	11,429	8,474	13,913
INCOME (LOSS) FROM OPERATIONS	(11,813)	(6,347)	1,496	946	717
OTHER INCOME (EXPENSE):					
Financial Derivatives unrealized					(592)
Interest expense	(868)	(558)	(476)	(367)	(1,279)
Interest income and other	131	23	(30)	3	148
Total other income (expense)	(737)	(535)	(506)	(364)	(1,723)
INCOME (LOSS) BEFORE INCOME TAX PROVISION	(12,550)	(6,882)	990	582	(1,006)
INCOME TAX (PROVISION) BENEFIT	3,504		(24)		24
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(9,046)	(6,882)	966	582	(982)
CUMULATIVE EFFECT ON PRIOR YEARS FROM ADOPTION OF FASB STATEMENT NO. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATION, NET OF TAX			2	2	

	Year Ended December 31,			Nine Months Ended September 30,	
NET INCOME (LOSS)	(9,046)	(6,882)	968	584	(982)
PREFERRED DIVIDENDS	(232)	(447)	(447)	(334)	(333)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	$ (9,278)	$ (7,329)	$ 521	$ 250	$ (1,315)
BASIC NET INCOME (LOSS) PER COMMON SHARE(1)	$ (1.50)	$ (1.18)	$ 0.08	$ (0.04)	$ (0.13)
DILUTED NET INCOME (LOSS) PER COMMON SHARE(1)	$ (1.50)	$ (1.18)	$ 0.08	$ (0.04)	$ (0.13)
WEIGHTED AVERAGE SHARES OUTSTANDING(1):					
Basic	6,184	6,209	6,216	6,216	9,763
Fully Diluted	6,184	6,209	6,216	6,216	9,763
COMPREHENSIVE INCOME (LOSS):					
NET INCOME (LOSS)	$ (9,046)	$ (6,882)	$ 968	$ 584	$ (982)
OTHER COMPREHENSIVE INCOME (LOSS):					
Transition adjustment related to change in accounting for derivative instruments and hedging activities (net of income taxes)	(953)				
Realized loss on qualifying cash flow hedges	340	829	1,337	1,337	
Unrealized loss on qualifying cash flow hedges	682	(1,600)	(635)	(635)	
TOTAL COMPREHENSIVE INCOME (LOSS)	$ (8,977)	$ (7,653)	$ 1,670	$ 1,286	$ (982)

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
	(in thousands)				
Consolidated Statements of Cash Flow Data:					
Cash provided by (used by):					
Operating activities	$ 9,047	$ 2,978	$ 5,998	$ 3,092	$ 3,313
Investing activities	(14,748)	(2,247)	(3,762)	(1,449)	(9,066)
Financing activities	4,721	(360)	(1,054)	(703)	38,739
Costs Incurred Relating to Oil and Gas Producing Activities:					
Property acquisition	$ 1,234	$	$ 260	$	$ 2,636
Exploration	10,958	3,301	921	636	151
Development	1,664	1,007	3,341	1,324	6,102

	December 31, 2003	September 30, 2004
	(in thousands)	
Balance Sheet Data(2):		
Cash and cash equivalents	$ 2,110	$ 35,096
Oil and natural gas properties, net	40,271	45,401
Total assets	46,115	89,718
Total long-term debt, including convertible subordinated note	13,285	35,000
Stockholders' equity	29,270	49,811

(1) Adjusted retroactively for the one-for-two reverse split of our common stock which occurred May 26, 2004.

(2) Reflects our recapitalization as described in "Recent Developments Acquisition of Control by PHAWK" on page 6.

Summary Combined Historical Financial Data Wynn-Crosby

The following table sets forth Wynn-Crosby's summary combined historical financial data that has been derived from (a) the audited combined statements of income for Wynn-Crosby for the years ended December 31, 2001, 2002 and 2003 and audited balance sheet for Wynn-Crosby as of December 31, 2003, (b) the unaudited combined statements of income for Wynn-Crosby for the nine months ended September 30, 2003 and 2004, (c) the unaudited combined statement of cash flows for Wynn-Crosby for the nine months ended September 30, 2004 and the unaudited balance sheet for Wynn-Crosby as of September 30, 2004, and (d) supplemental financial information for oil and gas producing activities for each of the years ended December 31, 2001, 2002 and 2003 set forth in the notes to Wynn-Crosby's audited financial statements for the years ended December 31, 2001, 2002 and 2003, and from Wynn-Crosby's records for the nine months ended September 30, 2004. You should read this financial data together with Wynn-Crosby's combined financial statements and notes thereto included elsewhere in this document.

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	**2002**	**2003**	**2003**	**2004**
			(in thousands)		
Statement of Income Data:					
REVENUES:					
Oil and natural gas	$ 60,518	$ 51,474	$ 92,430	$ 70,399	$ 76,059
Other	39	1	46	11	96
Total revenue	60,557	51,475	92,476	70,410	76,155
COSTS AND EXPENSES:					
Production:					
Lease operations	12,748	12,186	15,407	11,391	14,029
Production, severance and ad valorem taxes	4,528	3,549	5,927	4,712	5,025
Gathering, transportation and other	803	995	1,430	1,016	1,000
General and administrative	2,269	2,723	3,697	2,719	3,384
Full cost ceiling impairment	1,862				
Depreciation, depletion and amortization	12,092	10,536	11,508	9,934	10,333
Accretion of asset retirement obligations			604	456	392
Other	242	402	301	408	380
Total costs and expenses	34,544	30,391	38,874	30,636	34,543
INCOME FROM OPERATIONS	26,013	21,084	53,602	39,774	41,612
OTHER INCOME (EXPENSE):					
Financial derivatives, realized	4,687	886	(4,530)	(4,568)	(5,483)
Financial derivatives, unrealized	7,059	(1,628)	(2,377)	1,289	(2,080)
Equity income of non-affiliates		129	228		205
Gain (loss) on sale of assets	(15)		63		
Investment income	228	85	58	39	19
Interest expense	(2,854)	(2,594)	(2,338)	(1,838)	(1,285)
Interest income and other	(56)	(75)			
Total other income (expense)	9,049	(3,197)	(8,896)	(5,078)	(8,624)
INCOME FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECTS AND DISCONTINUED OPERATIONS	35,062	17,887	44,706	34,696	32,988
INCOME FROM DISCONTINUED OPERATIONS INCLUDING 2003 GAIN ON SALE OF MEMBERSHIP INTEREST	213	(36)	8,897	8,897	
INCOME BEFORE CUMULATIVE EFFECTS	35,275	17,851	53,603	43,593	32,988

	Year Ended December 31,			Nine Months Ended September 30,	
CUMULATIVE EFFECT OF ADOPTION OF SFAS NO. 133	(7,059)				
CUMULATIVE EFFECT ON PRIOR YEARS FROM ADOPTION OF FASB STATEMENT NO. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATION			2,157	2,157	
NET INCOME(1)	$ 28,216	$ 17,851	$ 55,760	$ 45,750	$ 32,988

(1) Wynn-Crosby consists of a number of partnerships and an S-corporation, and it incurs no federal income tax.

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
	(in thousands)				
Consolidated Statements of Cash Flow Data:					
Cash provided by (used by):					
Operating activities	$ 43,683	$ 29,388	$ 64,710	$ 50,913	$ 44,370
Investing activities	(41,806)	(21,668)	(3,781)	140	(17,961)
Financing activities	608	(6,488)	(60,665)	(45,434)	(23,057)
Costs Incurred Relating to Oil and Gas Producing Activities:					
Property acquisition	$ 30,438	$ 17,521	$ 7,829	$ 19,231	$ 21,614
Exploration	385	29			
Development	13,268	7,350	16,309	12,999	20,015

	December 31, 2003	September 30, 2004
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 5,357	$ 8,709
Total assets	157,878	178,960
Total long-term debt	33,130	39,820

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated statements of income for the year ended December 31, 2003 and the nine months ended September 30, 2004, have been prepared based on the historical condensed consolidated statements of income of Petrohawk and Wynn-Crosby incorporated by reference or included elsewhere herein, under the assumptions set forth in the accompanying footnotes. The unaudited pro forma consolidated balance sheet at September 30, 2004 has been prepared based on the historical condensed consolidated balance sheet of Petrohawk incorporated by reference herein under the assumptions set forth in the accompanying footnotes.

On November 23, 2004 Petrohawk acquired Wynn-Crosby and certain limited partnerships that it manages for approximately $422 million. This transaction was accounted for by us using the purchase method of accounting. The effect of this transaction is reflected in the Pro Forma Adjustments in the unaudited pro forma consolidated financial statements.

We financed a portion of the purchase price for the Acquisition with the net proceeds from our private offering of Series B preferred stock. The effect of the issuance and the conversion of the Series B preferred stock into common stock is reflected in the Pro Forma Adjustments in the unaudited pro forma consolidated financial statements.

We entered into a four-year, $400 million senior revolving credit facility and a $50 million second lien credit facility in connection with the Acquisition. The revolving credit facility provides for a preliminary borrowing base of $200 million. To secure borrowings, we pledged 100% of the shares of stock of our domestic subsidiaries and gave mortgages covering approximately 80% of the total present value of our domestic oil and gas properties.

The unaudited pro forma condensed consolidated statements of income for the year ended December 31, 2003 and the nine months ended September 30, 2004, assume the Acquisition occurred on January 1, 2003. The unaudited pro forma consolidated balance sheet at September 30, 2004, assumes the Acquisition occurred on that date. Petrohawk believes the assumptions used provide a reasonable basis for presenting the significant effects directly attributable to such transactions. The unaudited pro forma consolidated financial statements do not purport to represent what our results of operations would have been if such transactions had occurred on such dates. These unaudited pro forma consolidated financial statements should be read in conjunction with (i) the Consolidated Financial Statements of Petrohawk Energy Corporation incorporated by reference herein and (ii) the Combined Financial Statements of Wynn-Crosby Energy, Inc. and its Affiliated Partnerships incorporated by reference to exhibits 99.1 and 99.2 to Petrohawk's Form 8-K/A filed on December 1, 2004.

The unaudited pro forma financial statements do not include the effect of Petrohawk's purchase of approximately 2.9 Bcfe of estimated proved reserves from PHAWK on August 11, 2004.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2003

(in thousands of dollars, except per share data)

	Petrohawk Historical	Wynn-Crosby Historical	Pro Forma Adjustments	Petrohawk Pro Forma Adjusted(4)
REVENUES:				
Oil and gas	$ 12,591	$ 92,430		$ 105,021
Field services	334			334
Other		46		46
Total revenue	12,925	92,476		105,401
COSTS AND EXPENSES:				
Production:				
Lease operations	2,402	15,407		17,809
Production, severance and ad valorem taxes	875	5,927		6,802
Gathering, transportation and other		1,430		1,430
Field services	185			185
General and administrative	2,678	3,697		6,375
Stock-based compensation	252			252
Full cost ceiling impairment	129			129
Depreciation, depletion and amortization	4,858	11,508	(11,508)(1) 33,521 (1)	38,379
Accretion of asset retirement obligations	50	604		654
Other		301		301
Total costs and expenses	11,429	38,874		72,316
INCOME FROM OPERATIONS	1,496	53,602		33,085
OTHER INCOME (EXPENSE):				
Financial derivatives, realized		(4,530)		(4,530)
Financial derivatives, unrealized		(2,377)		(2,377)
Equity income of non-affiliates		228		228
Gain on sale of assets		63		63
Investment income		58		58
Interest expense	(476)	(2,338)	2,338 (2) (8,602)(2)	(9,078)
Interest income and other	(30)			(30)
Total other expense	(506)	(8,896)		(15,666)
INCOME BEFORE INCOME TAX PROVISION	990	44,706		17,419
INCOME TAX (PROVISION)	(24)		24 (3) (6,619)(3)	(6,619)
NET INCOME	966	44,706		10,800
PREFERRED DIVIDENDS(4)	(447)			(447)
NET INCOME APPLICABLE TO COMMON STOCKHOLDERS AND PARTNERS(4)	$ 519	$ 44,706		$ 10,353

	Petrohawk Historical	Wynn-Crosby Historical	Pro Forma Adjustments	Petrohawk Pro Forma Adjusted(4)
BASIC NET INCOME PER COMMON SHARE(4)(8)	$ 0.08	N/A		$ 0.32
DILUTED NET INCOME PER COMMON SHARE(4)(8)	$ 0.08	N/A		$ 0.32
WEIGHTED AVERAGE SHARES OUTSTANDING(4)(8):				
Basic	6,216	N/A	25,806 (5)	32,022
Fully diluted	6,253	N/A	25,806 (5)	32,059

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

(in thousands of dollars, except per share data)

	Petrohawk Historical	Wynn-Crosby Historical	Pro Forma Adjustments	Petrohawk Pro Forma Adjusted(4)
REVENUES:				
Oil and gas	$ 14,379	$ 76,059		$ 90,438
Field services	251			251
Other		96		96
Total revenue	14,630	76,155		90,785
COSTS AND EXPENSES:				
Production:				
Lease operations	2,458	14,029		16,487
Production, severance and ad valorem taxes	781	5,025		5,806
Gathering, transportation and other		1,000		1,000
Field services	131			131
General and administrative	4,017	3,384		7,401
Stock-based compensation	2,925			