

Rosetta Resources Inc.  
Form 424B3  
June 14, 2006  
**Table of Contents**

**Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-128888**

**PROSPECTUS**

**50,000,000 Shares**

**Common Stock**

---

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

We are not selling any shares of common stock under this prospectus and will not receive any proceeds from the sale of common stock by the selling stockholders. The shares of common stock to which this prospectus relates may be offered and sold from time to time directly from the selling stockholders or alternatively through underwriters or broker-dealers or agents. The shares of common stock may be sold in one or more transactions, at fixed prices, at prevailing market prices at the time of sale or at negotiated prices. Because all of the shares being offered under this prospectus are being offered by selling stockholders, we cannot currently determine the price or prices at which our shares of common stock may be sold under this prospectus. Shares of our common stock are listed on the NASDAQ National market under the symbol ROSE. On June 12, 2006, the closing price of our common stock as reported on the NASDAQ National Market was \$17.12 per share. Please read Plan of Distribution.

---

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

---

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

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

**The date of this prospectus is June 14, 2006.**

**Table of Contents**

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Where Can You Find Information</u>	ii
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	10
<u>Cautionary Note Regarding Forward-Looking Statements</u>	11
<u>Use of Proceeds</u>	11
<u>Dividend Policy</u>	11
<u>Capitalization</u>	12
<u>Selected Historical Consolidated/Combined Financial Data</u>	13
<u>Historical Unaudited Pro Forma Financial Data</u>	16
<u>Description of Separation from Calpine</u>	19
<u>Selling Stockholders</u>	27
<u>Plan of Distribution</u>	45
<u>Description of Capital Stock</u>	47
<u>Shares Eligible for Future Sale</u>	50
<u>Material U.S. Federal Income Tax Considerations For Non-U.S. Holders of Our Common Stock</u>	51
<u>Registration Rights</u>	54
<u>Legal Matters</u>	56
<u>Experts</u>	56
<u>Independent Engineers</u>	56
<u>Glossary of Oil and Natural Gas Terms</u>	57

**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

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

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

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

**INCORPORATION BY REFERENCE**

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

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

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

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

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

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

**Table of Contents**

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

Rosetta Resources Inc.

717 Texas, Suite 2800

Houston, Texas 77002

Telephone Number: (713) 335-4000

Attention: Chief Financial Officer

iii

**Table of Contents**

**SUMMARY**

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

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

**Our Company**

**General**

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

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

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

## **Table of Contents**

### **Our Strengths**

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

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

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

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

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

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

### **Our Strategy**

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

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

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

## **Table of Contents**

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

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

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

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

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

## **Calpine Bankruptcy**

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

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

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



---

**Table of Contents**

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

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

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

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

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

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

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

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

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

**Table of Contents**

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

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

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

**Crude Oil and Natural Gas Operations**

*Production by Operating Area*

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

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

**Table of Contents**

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

**Proved Reserves**

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

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

**Estimated Proved Reserves at December 31, 2005(1)(3)(4)**  
**Percent**

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

- (1) These estimates are based upon a reserve report prepared by Netherland Sewell using criteria in compliance with SEC guidelines and excludes 19.6 Bcfe of proved oil and gas reserves and a value of \$72.5 million representing the total allocated value of wells and the associated leases described in footnote 3 below.
- (2) Our PV-10 value has been calculated using a spot market natural gas price and posted oil price at December 31, 2005 of \$10.08/MMBtu and \$57.75/Bbl, respectively, adjusted for basis differentials and held flat for the life of the reserves and adjusted for quality differentials.
- (3) At the July 2005 closing, we withheld \$68 million for properties (excluding that portion of the properties subject to the preferential right) which Calpine agreed to transfer to us as part of the acquisition but for which Calpine had not then secured consents to assign. Subsequent analysis determined that a portion of these properties, having an allocated value withheld under the PSA at closing of \$29 million, did not require consent. Consents now have been received for the remaining properties as to which the allocated value under the PSA withheld at closing, was \$39 million ( Cured Non-consent Properties ). We are prepared to

**Table of Contents**

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

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

**Operating Data**

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

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

- (1) The average realized natural gas sales price per Mcf inclusive of the effects of hedging for the three months ended March 31, 2006 (successor) and six months ended December 31, 2005 (successor) was \$8.22 and \$8.23, respectively. There were no other hedging arrangements during any other period presented.
- (2) The three months ended March 31, 2006 (successor) and six months ended December 31, 2005 (successor) includes workover expense of \$0.28 and \$0.22 per Mcfe, ad valorem taxes of \$0.21 and \$0.25 per Mcfe and insurance of \$0.03 and \$0.04 per Mcfe, respectively. The high rate of workover expense relates to the workover of our High Island #A-442 well and an aggressive rehabilitation program to boost production on existing wells. The six months ended June 30, 2005 (predecessor) includes workover expense, ad valorem taxes and insurance of \$0.22 per Mcfe, \$0.22 per Mcfe, and \$0.06 per Mcfe, respectively. Ad valorem taxes for the six months ended June 30, 2005 (predecessor) includes higher taxes in South Texas and a special reclamation tax in California. Lease operating expense for 2004 (predecessor) includes workover expense and ad valorem taxes of \$0.04 per Mcfe and \$0.15 per Mcfe, respectively. Lease operating expense for 2003 (predecessor) includes workover expense and ad valorem taxes of \$0.04 per Mcfe and \$0.09 per Mcfe, respectively.
- (3) Net of overhead reimbursements received from other working interest owners.

**Table of Contents**

**Recent Developments**

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

**Corporate Information**

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

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

**Table of Contents**

**THE OFFERING**

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

---

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

**Table of Contents**

**RISK FACTORS**

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

the timing and extent of changes in commodity prices, particularly natural gas;

various drilling and exploration risks that may delay or prevent commercial operation of new wells;

economic slowdowns that can adversely affect consumption of oil and natural gas by businesses and consumers;

Calpine's bankruptcy;

uncertainties that actual costs may be higher than estimated;

factors that impact the exploration of oil or natural gas resources, such as the geology of a resource, the total amount and costs to develop recoverable reserves, and legal title, regulatory, natural gas administration, marketing and operational factors relating to the extraction of oil and natural gas;

uncertainties associated with estimates of oil and natural gas reserves;

our ability to access the capital markets on attractive terms or at all;

refusal by or inability of our current or potential counterparties or vendors to enter into transactions with us or fulfill their obligations to us;

our inability to obtain credit or capital in desired amounts or on favorable terms;

present and possible future claims, litigation and enforcement actions;

effects of the application of regulations, including changes in regulations or the interpretation thereof;

availability of processing and transportation;

## Edgar Filing: Rosetta Resources Inc. - Form 424B3

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

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

competition in the oil and natural gas industry;

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

other risks identified in this prospectus.



**Table of Contents**

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

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

**USE OF PROCEEDS**

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

**DIVIDEND POLICY**

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

**Table of Contents****CAPITALIZATION**

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

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

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

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

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

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED/COMBINED FINANCIAL DATA**

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

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

**Earnings per share:****Basic**

## Edgar Filing: Rosetta Resources Inc. - Form 424B3

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

**Table of Contents**

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



**Table of Contents**

---

- (1) Working capital deficit includes \$127 million, \$444 million, \$528 million and \$492 million of notes payable to affiliates for the years ended December 31, 2004, 2003, 2002 and 2001 (predecessor), respectively.
- (2) Represents the sale of the San Juan Basin New Mexico assets and the Piceance Basin Colorado assets in 2004.
- (3) EBITDA from continuing operations is calculated as net income or loss excluding income taxes, cumulative effect of change in accounting principle, net interest expense, other income, depreciation, depletion and amortization, and income from discontinued operations. It does include an impairment charge of \$202.1 million, \$2.9 million and \$6.0 million for the years ended December 31, 2004, 2003 and 2002 (predecessor) respectively. We believe that EBITDA from continuing operations is a financial indicator commonly used by analysts and is used by them as a basis for evaluating us with our peers. We use EBITDA from continuing operations as a performance measure such as a multiple for valuation purposes of our company and the oil and gas industry as a whole. EBITDA from continuing operations should not be considered in isolation or as a substitute for net income, operating income, and net cash provided by operating activities or any other measure of financial performance presented in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity.
- (4) For the six months ended December 31, 2005 (successor), purchases of property and equipment include \$910 million related to the acquisition of the oil and gas business of Calpine.

**Table of Contents**

**HISTORICAL UNAUDITED PRO FORMA FINANCIAL DATA**

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

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

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

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



**Table of Contents**

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

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

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

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

**Table of Contents**

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

- (d) Adjustment to reflect a provision for income taxes based on the Pro Forma Financial Statements at the statutory rate of 38.1% at June 30, 2005.
- (e) Expense amounts in our combined historical financial statements are based on stock based compensation granted to our employees by Calpine. Stock options are granted at an option price equal to the quoted market price at the date of the grant or award. In 2002, Calpine applied the intrinsic method pursuant to Accounting Standards Board Opinion No. 25 ( APB ), Stock Issued to Employees , whereby no compensation expense was recorded in the 2002 combined financial statements as the stock options were granted at an exercise price equal to the fair market value of Calpine s stock on the date of the grant.

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

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

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

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

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

---

**Table of Contents**

**DESCRIPTION OF SEPARATION FROM CALPINE**

**Overview**

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

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

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

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

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

---

**Table of Contents**

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

**Structuring the Acquisition Transaction**

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

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

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

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

## **Table of Contents**

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

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

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

## **Calpine Bankruptcy**

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

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

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

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

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

---

## **Table of Contents**

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

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

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

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

### **Purchase and Sale Agreement**

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

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

---

## **Table of Contents**

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

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

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

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

### **Transfer and Assumption Agreement**

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



## **Table of Contents**

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

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

## **Transition Services Agreement**

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

payment of accounts payable, collection of accounts receivable, general ledger and financial reporting activities, cash management, and financial control systems;

computer and information systems and resources necessary to manage and operate the contributed properties and to facilitate the transfer of data to us;

legal and regulatory advisory services, other than entering into arrangements or making filings with any governmental authority on our behalf; and

consulting services for the construction and permitting of our natural gas gathering systems.

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

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

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

## **Service Agreement**

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

---

## **Table of Contents**

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

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

### **Gas Purchase and Sale Contract**

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

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

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

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

---

## **Table of Contents**

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

### **Agreement of Sublease**

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

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

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

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

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

### **Assignment and Assumption of Lease Agreement**

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

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

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

### **Employee and Employee Benefits Matters Agreement**

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

**Table of Contents****SELLING STOCKHOLDERS**

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

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

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

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

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

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

**Table of Contents**

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



**Table of Contents**

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

**Table of Contents**

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





**Table of Contents**

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

**Table of Contents**

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



**Table of Contents**

<b>Selling Stockholder</b>	<b>Number of Shares of Common Stock That May Be Sold</b>	<b>Percentage of Common Stock Outstanding</b>
John C. York	8,125	*
John D. Thiel	3,125	*
John Duffey IRA(4)	2,600	*
John E. Meyer~Combined Portfolio(1)	44,760	*
John E. Palcher IRA Rollover(1)	510	*
John Eubel & Betty Eubel~Combined Portfolio(1)	3,990	*
John Glickstein & Eileen Glickstein	2,000	*
John H. Lienesch IRA(1)	1,630	*
John Hancock Advisors FBO JHIC Vermont Hallmark Cards, Inc.(55)	28,750	*
John Hancock Balanced Fund(55)	87,750	*
John Hancock Funds II (JH2)(32)	85,342	*
John Hancock Large Cap Equity Fund(55)	971,845	1.92%
John Hancock Mid Cap Growth Fund(55)	118,808	*
John Hancock Trust (JH1)(32)	76,885	*
John Hancock Trust Utilities Trust(56)	77,190	*
John J. Miller~Personal Portfolio(1)	630	*
John J. Pohanka Family Foundation(57)	20,000	*
John M. Walsh, Jr. IRA Rollover(1)	910	*
John M. & Patricia D. Coleman JTWROS	12,500	*
John O Meara IRA Rollover(1)	310	*
John Sarron, Jr. Personal Portfolio(1)	350	*
John T. & Julia M. Paas JTWROS(1)	650	*
John T. Beaty Jr.	2,500	*
John T. Dahm IRA(1)	2,170	*
John T. Dahm IRA Rollover(1)	680	*
John Whalen and Linda Rabbitt	6,250	*
Johnson Revocable Living Trust(58)	10,000	*
Jon D. & Linda N. Gruber Trust(59)	13,000	*
Jon R. Yenor & Caroline L. Brecker Joint Tenants(1)	970	*
Jon R. Yenor IRA Rollover(1)	720	*
Joseph D. & Julia A. DiCicco~Combined Portfolio(1)	2,350	*
Joseph D. & Suzanne F. Mackil~Combined Portfolio(1)	3,270	*
Joseph D. Maloney~Personal Portfolio(1)	830	*
Joseph F. & Mary K. Scullion~Combined Portfolio(1)	1,360	*
Joseph H. Szymanski	6,250	*
Joyce Ann Porter~Revocable Living Trust dtd 12/1/00~Joyce Ann Porter, TTEE(1)	1,070	*
Judith Keasel~IRA Rollover(1)	320	*
Kandythe J. Miller~Combined Portfolio(1)	730	*
Karen Shay IRA(4)	4,800	*
Karfunkel Family Foundation(60)	5,000	*
Kathleen J. Lienesch~Combined Portfolio(1)	1,180	*
Kathleen J. Lienesch IRA(1)	230	*
Kathleen Swanson Revocable Trust(61)	6,250	*
Kathryn A. Leeper~Combined Portfolio(1)	520	*
Keith L. Aukerman IRA Rollover(1)	1,240	*
Kenneth E. & Doreen G. Klaus~Joint Personal Portfolio(1)	310	*
Kenneth E. Shelton IRA Rollover(1)	760	*
Kenneth F. Rupp Revocable Trust(62)	1,500	*
Kettering Anesthesia Associates Profit Sharing Plan FBO David J. Pappenfus(1)	1,160	*
Kevin E. Slattery~Trust B DTD 5/17/99~De Ette Rae Hart TTEE(1)	950	*
King Investment Advisors, Inc. FBO Alice R. Hudspeth(63)	4,500	*
King Investment Advisors, Inc. FBO Barnett L. Gershen(63)	4,300	*
King Investment Advisors, Inc. FBO Bill Ham(63)	12,000	*
King Investment Advisors, Inc. FBO Bill Ham, IRA Rollover(63)	5,500	*
King Investment Advisors, Inc. FBO Charles O. Requadt and Julie K. Requadt(63)	3,700	*
King Investment Advisors, Inc. FBO David A. Todd(63)	3,600	*
King Investment Advisors, Inc. FBO E. Holt Williams(63)	1,100	*
King Investment Advisors, Inc. FBO Emily L. Todd(63)	4,600	*

**Table of Contents**

<b>Selling Stockholder</b>	<b>Number of Shares of Common Stock That May Be Sold</b>	<b>Percentage of Common Stock Outstanding</b>
King Investment Advisors, Inc. FBO First Security Bank Commingled Investment Fund for Qualified Employee Benefit Plans(63)	74,100	*
King Investment Advisors, Inc. FBO Gerald Wayne Broesche and Brooke Anne Broesch(63)	3,700	*
King Investment Advisors, Inc. FBO Greg Kung(63)	7,000	*
King Investment Advisors, Inc. FBO H. J Foster, IRA Rollover(63)	4,000	*
King Investment Advisors, Inc. FBO J & S Black FLP(63)	4,000	*
King Investment Advisors, Inc. FBO James E. Brasher, IRA Rollover(63)	1,500	*
King Investment Advisors, Inc. FBO Kevin Raine(63)	6,800	*
King Investment Advisors, Inc. FBO Lucie W. Todd(63)	7,000	*
King Investment Advisors, Inc. FBO Mary L. G. Theroux Charitable Remainder Unitrust(63)	3,600	*
King Investment Advisors, Inc. FBO Mary L. G. Theroux Revocable Living Trust(63)	4,100	*
King Investment Advisors, Inc. FBO Onedia Tribe of Indians(63)	22,000	*
King Investment Advisors, Inc. FBO Shirley P. Rabke(63)	4,700	*
King Investment Advisors, Inc. FBO Wray & Todd Interests, Ltd.(63)	18,200	*
Kirby C. Leeper IRA Rollover(1)	560	*
LH Rich Companies(64)	10,000	*
Lagunitas Partners LP(42)	41,000	*
Lannan Foundation(9)	177,500	*
Larry & Marilyn Lehman~Combined Portfolio(1)	1,350	*
Lauren Peck~Combined Portfolio(1)	750	*
Lawrence Chimevine	3,000	*
Lawrence J. Harmon Trust A~DTD 1/29/2001~G Harmon & T Harmon & H Wall TTEES(1)	540	*
Lawrence S. Connor~Personal Portfolio(1)	1,510	*
Lee S. Johnson FBO Edwin Johnson(3)	1,300	*
Lee S. Johnson FBO Susanne Mann(3)	1,300	*
Lehman Brothers(65)	75,000	*
Leo K. & Katherine H. Wingate~Joint Personal Portfolio(1)	540	*
Leo Mullen and Helene Patterson	6,250	*
LeRoy Eakin, III & Lindsay Eakin	15,625	*
Leslie L. Alexander	175,000	*
Lester J. & Suzan A. Charnock ~JTWROS(1)	1,690	*
Lia K. Stratis(3)	1,500	*
Liebro Partners, LLC(66)	2,500	*
Lime Partners, LLC(67)	24,000	*
Linda M. Meister MD~Combined Portfolio(1)	860	*
LJB Inc. Savings Plan & Trust~U/A DTD 1/1/1985 FBO T. Beach~Stephen D. Williams TTEE(1)	470	*
Lolita Higbie Living TR(4)	2,100	*
Lorraine L. Earman IRA Rollover(1)	200	*
Louis D. Cohen REVTR IMA(43)	2,500	*
Lucy Wallace(4)	2,700	*
Lynda Goldstein(4)	20,000	*
M. Sinclair Adams Ziesing(3)	8,000	*
M.J. Murdock Charitable Trust(35)	53,900	*
MA Deep Event, Ltd.(27)	72,100	*
Mara Wharton(3)	2,000	*
Marc Bettius	3,125	*
Marcia M. O Rourke~Combined Portfolio(1)	2,070	*
Margaret Bailey Hardenbergh(3)	400	*
Margaret S. Adam Revocable TRUST~DTD 4/10/02~Margaret S. Adam, TTEE(1)	410	*
Maria Gray Valentine Curtis Trust(68)	6,000	*
Marie D. Wootton(3)	600	*
Marjorie Mead Marshall Trust(3)	750	*
Mark Ristow Roth IRA(69)	2,500	*
Mark S. Wallace(4)	1,400	*
Martha Cox Farrell(3)	900	*
Martha S. Senkiw~Revocable Living Trust DTD 11/02/98~Martha S. Senkiw, TTEE(1)	350	*
Martin Hirschhorn	20,000	*

**Table of Contents**

<b>Selling Stockholder</b>	<b>Number of Shares of Common Stock That May Be Sold</b>	<b>Percentage of Common Stock Outstanding</b>
Martin J. & Lisa L. Grunder~Combined Portfolio(1)	430	*
Marvin E. Nevins~Personal Portfolio(1)	860	*
Mary Ann Duffey IRA(4)	1,600	*
Mary Clark Stambaugh(3)	400	*
Mary Ellen Kremer Living Trust~U/A DTD 01/27/1998~Mary Ellen Kremer TTEE(1)	960	*
Mary J. Dolan Trust IMA(43)	1,667	*
Mary J. Gitzinger IRA(1)	1,620	*
Mary Kunesh~Combined Portfolio(1)	4,340	*
Mary Lou R. Baggott~Personal Portfolio(1)	1,110	*
Mary M. Stratis(3)	5,800	*
Mary M. Stratis Trust(70)	1,900	*
Mary Stratis Limited Partnership(3)	3,000	*
Masters Select Smaller Companies Fund(9)	179,900	*
Matthew C. May	3,125	*
Maureen D. Weaver~Combined Portfolio(1)	520	*
Maureen K. Aukerman IRA Rollover(1)	810	*
Maureen K. Aukerman Personal Portfolio(1)	170	*
Melinda L. Eubel IRA(1)	620	*
Melodee Ruffo~Personal Portfolio(1)	680	*
Melvin Don Henry, Jr.	3,000	*
Mercury Global Allocation Strategy Portfolio(71)	10,900	*
Mercury Global Allocation V.I. Fund(71)	30,100	*
Merril Mason(3)	2,200	*
Merrill Lynch Global Allocation Fund, Inc.(71)	500,000	*
MFS Mid Cap Value Fund(56)	313,200	*
MFS Utilities Fund(56)	895,410	1.77%
MFS Utilities Portfolio (IIU)(56)	100,880	*
MFS Variable Insurance Trust MFS Utilities Series(56)	551,080	1.09%
MFS/Sun Life Series Trust Mid Cap Value Series(56)	11,600	*
MFS/Sun Life Series Trust Utilities Series(56)	206,950	*
Miami Valley Cardiologists, Inc. Profit Sharing Plan Trust EBS Equity 100(1)	8,610	*
Miami Valley Cardiologists, Inc. Profit Sharing Plan Trust EBS Small Cap(1)	3,590	*
Michael & Marilyn E. Lipson JTWR0S(1)	260	*
Michael A. Houser & H. Stephen Wargo JTWR0S(1)	250	*
Michael & Andrea Dakin~Combined Portfolio(1)	960	*
Michael F. Horn, Sr.	4,375	*
Michael G. Lunsford IRA(1)	590	*
Michael G. Lunsford Personal Portfolio(1)	290	*
Michael G. & Dara L. Bradshaw~Combined Portfolio(1)	1,530	*
Michael J. Mathile~Revocable Living Trust DTD 10/03/96(1)	1,990	*
Michael J. McQuiston IRA Rollover(1)	1,150	*
Michael J. Suttman~Personal Portfolio(1)	580	*
Michael J. Wenzler~Personal Portfolio(1)	310	*
Michael K. Stout Revocable Liv Trust~Dtd 12/27/94~Michael K. & Carol A. Stout(1)	1,220	*
Michael Kerr	175,000	*
Michael Lipson Profit Sharing Plan~DTD 1/1/03~Michael Lipson, TTEE(1)	1,320	*
Michael S. Greger	3,125	*
Michelle Tagliamonte IRA Rollover(1)	610	*
Milo Noble~Personal Portfolio(1)	5,090	*
Milton V. Peterson Revocable Trust(72)	93,750	*
Modern Capital Fund, LLC(73)	25,000	*
Monte R. Black~Personal Portfolio(1)	4,180	*
Monte T. Brown(3)	5,000	*
Monte T. Brown L.(3)	1,500	*
Moore Fixed Income Fund, Ltd.(74)	625,000	1.24%
Moore Macro Fund, L.P.(74)	701,200	1.39%
Morgan Moran(3)	100	*
Munder Small Cap Value Fund(75)	270,000	*
Natelli Communities, LP(76)	15,625	*





**Table of Contents**

<b>Selling Stockholder</b>	<b>Number of Shares of Common Stock</b>	<b>Percentage of Common Stock Outstanding</b>
	<b>That May Be Sold</b>	
Nationwide Small Cap Fund(39)	1,637	*
Nayann B. Pazyniak IRA Rollover(1)	300	*
Neal L. & Kandythe J. Miller~Joint Personal Portfolio(1)	490	*
Neal L. Miller IRA Rollover(1)	210	*
Neil Hazel IRA Rollover(1)	3,830	*
Neil W. & Jeanne K. Hazel~Joint Personal Portfolio(1)	710	*
Neil W. Hazel Personal Trust(1)	1,090	*
NH Horizons Investments(77)	234,000	*
Noah Pollack 93 Trust(4)	2,700	*
Noah Pollack Rev Trust(4)	1,200	*
Nosrat M. Hillman~Personal Portfolio(1)	390	*
Northern Light Management(78)	20,000	*
Pacific Credit Corp(13)	17,200	*
Pam Graeser~Personal Portfolio(1)	340	*
Pamela S. Carroll~Combined Portfolio(1)	260	*
Park West Investors, LLC(79)	66,495	*
Park West Partners International, Ltd.(79)	16,105	*
Pat & Christine Beach	2,500	*
Patricia A. Kremer Revocable Trust~DTD 04/29/04~Donald G. Kremer, TTEE(1)	980	*
Patricia Meyer Dorn~Combined Portfolio(1)	2,730	*
Patrick A. Mickley & Amy Jo Mickley~Joint Personal Portfolio(1)	910	*
Patrick J. Coleman IRA Rollover(1)	1,320	*
Patrick L. & Jackie L. McGohan~Joint Personal Portfolio(1)	910	*
Paul & Joan Strausbaugh~Personal Portfolio(1)	1,060	*
Paul J. Routh IRA(1)	420	*
Paul R. & Dina E. Crnkovich~Joint Personal Portfolio(1)	3,710	*
Paul R. Crnkovich~IRA Rollover(1)	650	*
Paul S. & Cynthia J. Guthrie~Joint Personal Portfolio(1)	1,370	*
Paul W. Nordt III IRA Rollover 401(k)(1)	1,090	*
Peck Family Investments, Ltd.(1)	690	*
Pennsylvania Public School Employee Retirement Fund(9)	1,222,400	2.42%
Pennsylvania Treasury Department Tuition Account Program(1)	21,730	*
Perrino Fernandez~Combined Portfolio(1)	980	*
Peter & Noreen McInnes~Combined Portfolio(1)	8,770	*
Peter D. Senkiw~Revocable Living Trust DTD 11/02/98~Peter D. Senkiw, TTEE(1)	360	*
Peter H. Huizena	41,625	*
Peter M. DeProsperis, Jr.	3,125	*
Peter R. Newman IRA Rollover(1)	2,260	*
Peter R. Ziesing(3)	300	*
Philip H. Wagner~Combined Portfolio(1)	12,130	*
Philip M. Haisley IRA Rollover(1)	310	*
Phillip Edwin Crystal Trust(3)	2,000	*
Pioneer Funds U.S. Small Companies (LUX)(80)	57,800	*
Pioneer Small Cap Value Fund(80)	325,300	*
Pioneer Small Cap Value VCT Portfolio(80)	16,900	*
Placer Creek Investors Bermuda L.P.(12)	120,700	*
Placer Creek Partners, L.P.(12)	165,600	*
Pohanka Oldsmobile, Inc.(57)	40,000	*
Potato Patch CRUT(4)	8,000	*
Presidio Partners, LP(81)	76,200	*
Quissett Investors Bermuda L.P.(12)	319,500	*
Quissett Partners, L.P.(12)	190,400	*
R&D Investment Partnership~Combined Portfolio(1)	13,960	*
Raj Singh and Neera Singh	60,900	*
Randy H. & Pamela F. Yoakum~Joint Personal Portfolio(1)	670	*
Ray O. Brownlie(4)	6,700	*
Raymond W. Lane~Personal Portfolio(1)	1,570	*
Raytheon Company Combined DB/DC Master Trust(12)	85,500	*
Raytheon Master Pension Trust(1)	80,000	*



**Table of Contents**

<b>Selling Stockholder</b>	<b>Number of Shares of Common Stock That May Be Sold</b>	<b>Percentage of Common Stock Outstanding</b>
Rensselaer Polytechnic Institute(9)	75,700	*
Richard D. Smith MD~Combined Portfolio(1)	1,130	*
Richard E. Holmes IRA Rollover Sharon Longo & Marianne Nestor, Durable POA(1)	1,210	*
Richard E. Holmes~Revocable Living Trust DTD 08/25/94~Richard E. Holmes, TTEE Sharon Longo & Marianne Nestor, Durable POA(1)	5,350	*
Richard Feinberg	10,000	*
Richard H. LeSourd, Jr. IRA-SEP(1)	1,160	*
Richard S. Bodman Revocable Trust(82)	14,062	*
Richard T. Wharton Trust Article 2(3)	1,700	*
Richard Thomas Wharton(3)	500	*
RNR II, LP(46)	279,300	*
RNR III, LP(46)	115,500	*
RNR III, Ltd(46)	59,300	*
ROBECO USA, LLC(83)	46,410	*
Robert & Candy Goldstein	5,000	*
Robert A. Riley Beneficiary Inherited IRA(1)	1,070	*
Robert A. Riley~Revocable Family Trust DTD 5/8/97~Robert A. Riley TTEE(1)	280	*
Robert Binderman	2,000	*
Robert C. Kettler	15,625	*
Robert C. Rewey, Jr. Revocable Trust(84)	3,625	*
Robert Colaizzi IRA(1)	2,760	*
Robert F. Mays Trust~DTD 12/7/95~Robert F. Mays TTEE(1)	1,160	*
Robert Feinberg	5,000	*
Robert Grew(3)	2,800	*
Robert L. Kilian IRA Rollover(1)	680	*
Robert L. Kilian~Trust U/A DTD 9/25/97~Robert L. Kilian TTEE(1)	1,050	*
Robert Lowry IRA(1)	300	*
Robert N. Sturwold~Personal Portfolio(1)	480	*
Robert Slayton	2,000	*
Robert W. Lowry~Personal Portfolio(1)	1,760	*
Rockbay Capital Fund, LLC(85)	7,848	*
Rockbay Capital Institutional Fund, LLC(85)	116,542	*
Rockbay Capital Offshore Fund, Ltd.(85)	305,610	*
Rodney K. Jones IMA(43)	4,166	*
Roland and Fanny Anderson JTWROS(1)	1,050	*
Ronald E. & Sharon S. Yoakum~Joint Personal Portfolio(1)	1,850	*
Ronald L. Gallatin	30,000	*
Ronald Lee Devore MD & Duneen Lynn Devore JTWROS(1)	250	*
Rosemary Winner Wood IRA(1)	610	*
Ruth E. Kremer Revocable Living Trust~DTD 5/7/96~David R. Kremer & Ruth E. Kremer, TTEES(1)	780	*
Samuel L. Lim IRA Rollover(86)	3,500	*
Samuel W. Lumby~Personal Portfolio(1)	1,090	*
Sandra E. Nischwitz~Personal Portfolio(1)	1,130	*
Saratoga Capital, LLC(87)	60,000	*
Scorpius Sicav(88)	12,500	*
Scudder Dreman Small Cap Value Fund(89)	219,300	*
Sean R. Convery~Personal Portfolio(1)	290	*
Semele Foundas~Revocable Living Trust U/A DTD 9/15/97~Semele Foundas & David M. Morad Jr. TTEE(1)	2,110	*
SF Capital Partners Ltd.(90)	425,000	*
Sharon A. Lowry~IRA~Robert W. Lowry, POA(1)	1,450	*
Shay Enterprises(4)	3,200	*
Sibley Mason Lyons U/D Trust(3)	2,000	*
Skarpia Sicav(91)	18,750	*
Sonia L. Stratis(3)	1,500	*
Southern Farm Bureau Life Insurance Company(9)	1,016,400	2.01%
Spindrift Investors Bermuda L.P.(12)	935,200	1.85%
Spindrift Partners, L.P.(12)	790,200	1.56%



**Table of Contents**

<b>Selling Stockholder</b>	<b>Number of Shares of Common Stock That May Be Sold</b>	<b>Percentage of Common Stock Outstanding</b>
Stanley & Cynthia Rainey~Combined Portfolio(1)	1,060	*
Stanley J. Katz IRA(1)	320	*
Stephen & Cynthia Hopf~Joint Personal Portfolio(1)	580	*
Stephen M. Bartram(3)	3,200	*
Steven & Victoria Conover~Joint Personal Portfolio(1)	440	*
Steven A. Miller~Revocable Living Trust U/A June 5, 1998~Steven A. Miller, C.E. Liesner TTEES(1)	2,910	*
Steven E. & Mary J. Ross~Joint Personal Portfolio(1)	7,610	*
Steven K. Suttman IRA Rollover(1)	470	*
Steven M. & Rebecca A. Nelson~Combined Portfolio(1)	1,120	*
Steven Rothstein	5,000	*
Stewart Investment Company(92)	62,500	*
Storebrand Investments(93)	625,000	1.24%
Stratford Partners, L.P.(94)	30,000	*
Stuckey Timberland, Inc.(95)	15,625	*
Suellen Louis IRA(1)	260	*
Susan J. Gagnon~Revocable Living Trust UA 8/30/95~Susan J. Gagnon TTEE(1)	1,960	*
Susanne Mann(3)	100	*
SVS Dreman Small Cap Value Portfolio(89)	130,700	*
Tanya P. Hrinyo Pavlina~Revocable Trust DTD 11/21/95~Tanya P. Hrinyo Pavlina TTEE(1)	1,120	*
TBP Capital Advisors Growth Fund(3)	2,200	*
Teressa G. Perry(4)	5,700	*
The Anderson Family~Revocable Trust, DTD 09/23/02~J. Kendall & Tamera L. Anderson, TTEES(1)	1,620	*
The Charles T. Walsh Trust~DTD 12/6/2000~Charles T. Walsh TTEE(1)	2,340	*
The Christine F. Lindeman-Thomas~Revocable Living Trust DTD 08/22/91~Christine F. Lindeman-Thomas, TTEE Gregory J. Thomas, POA(1)	2,060	*
The Holland Company(96)	1,687	*
The Killen Family Revocable Living Trust~DTD 4/27/2004~Terry L. Killen and/or Esther H. Killen Grantors and/or Trustees(1)	890	*
The Louis J. Thomas~Irrevocable Trust DTD 08/22/91~Gregory J. Thomas, TTEE(1)	490	*
The Northwestern Mutual Life Insurance Company(97)	1,500,000	2.97%
The Ospraie Portfolio Ltd.(98)	75,000	*
The Shaar Fund, Ltd.(99)	25,000	*
The Thomas & Carolyn Mlinac ~ Combined Portfolio(1)	710	*
The Third Avenue Small Cap Value Fund Series(100)	800,000	1.58%
The William K. Warren Foundation(101)	15,000	*
The X Account(24)	6,000	*
Thomas A. & Nancy A. Miller~Joint Personal Portfolio(1)	1,250	*
Thomas A. Miller IRA Rollover(1)	860	*
Thomas B. Parsons	2,000	*
Thomas First and Kristan First	3,000	*
Thomas G. Brown Article IV Trust(3)	1,300	*
Thomas G. Brown Article V Trust(3)	600	*
Thomas Hughes	1,500	*
Thomas J. & Susan J. Maio~Joint Personal Portfolio(1)	670	*
Thomas J. Maio IRA Rollover(1)	220	*
Thomas L. & Mary Leslie Falvey~Combined Portfolio(1)	1,470	*
Thomas L. Hausfeld IRA(1)	370	*
Thomas Shannon	2,000	*
Thomas V. & Charlotte E. Moon Family Trust~Joint Personal Trust(1)	670	*
Thomson Hirst & Gloria Trumpower, TBE	10,000	*
Tim Rupli	1,875	*
Timothy & Jayne Donahue	27,500	*
Timothy A. Pazyniak IRA Rollover(1)	2,600	*
Timothy B. Matz and Jane F. Matz	1,000	*
Timothy J. Beach Trust~DTD 4/22/02~Timothy J. Beach, TTEE(1)	420	*
TNM Investments LTD~Partnership(1)	290	*
Tobey Titus(3)	200	*



**Table of Contents**

<b>Selling Stockholder</b>	<b>Number of Shares of Common Stock That May Be Sold</b>	<b>Percentage of Common Stock Outstanding</b>
Toby G. Weber~Combined Portfolio(1)	4,230	*
Tom Wallace(4)	2,700	*
Tonya S. Harmon Revocable Living Trust(1)	1,230	*
Trident Selections(12)	55,700	*
Trousil & Associates(4)	4,800	*
Union Bancaire Privee(102)	46,875	*
United Capital Management(103)	15,000	*
Upnorth Investments, Ltd. Trust(1)	11,150	*
Venture Sim, Inc.(104)	6,250	*
Verle McGillvray IRA Rollover(1)	530	*
Vestal Venture Capital(105)	51,000	*
Victoire Finance ET Gettion B.V.(99)	31,250	*
Victoria Hyman	24,000	*
Virginia & Edward O Neil JTWROS(1)	1,500	*
Vivian D. Bichsel Revocable Living Trust~DTD 11/18/93~Vivian D. Bichsel, TTEE(1)	1,080	*
Wallace F. Holladay, Jr.	12,500	*
Wallace Family Partnership(4)	8,000	*
Walter A. Mauck IRA Rollover(1)	1,030	*
Whitebox Hedged High Yield Partners, LP(106)	57,500	*
Whitebox Intermarket Partners, LP(106)	57,500	*
Wiegers Capital Management(107)	30,000	*
Wilbur L. & Evilina A. Brown JTWROS All Cap Value(1)	2,540	*
Wilbur L. & Evilina A. Brown JTWROS Small Cap Value(1)	310	*
William A. Hazel Revocable Trust (108)	12,500	*
William Achenbach IRA(4)	4,000	*
William and Jonell Gharst~Combined Portfolio(1)	2,280	*
William & Sonja Kasch~Combined Portfolio(1)	1,110	*
William J. Turner Revocable Living Trust~DTD 05/20/98 Schwab Account~William J. Turner, TTEE(1)	530	*
William M. & Carla D. Thornton~Combined Portfolio(1)	1,380	*
William Marr Campbell III	6,250	*
William R. McCarty IRA Rollover(1)	1,350	*
William R. Morris III	5,000	*
William Regardie Rollover IRA(24)	3,000	*
William Sneath(3)	15,500	*
WIRE Family Trust (109)	4,000	*
WPG Opportunistic Value Overseas Fund, Ltd.(83)	27,900	*
WPG Tudor Fund(109)	27,100	*
Wynnefield Partners Small Cap Value LP I(110)	219,000	*
Wynnefield Partners Small Cap Value, LP(110)	50,300	*
Wynnefield Small Cap Value Offshore Fund, Ltd.(111)	148,000	*
Yale Zimmerman	4,252	*
Yvonne A. Grieco~Revocable Living Trust DTD 7/19/01~Yvonne A. Grieco, TTEE(1)	810	*
Zweig-DiMenna Fund Ltd.(47)	27,500	*
Zweig-DiMenna International Ltd.(47)	323,500	*
Zweig-DiMenna Natural Resources, L.P.(112)	16,300	*
Zweig-DiMenna Partners, L.P.(47)	164,500	*
Zweig-DiMenna Select, L.P.(47)	31,500	*
Zweig-DiMenna Special Opportunities, L.P.(47)	62,500	*

\* Less than one percent.

- (1) Paul Crichton is the Director of Trading of EBS Asset Management, which is the Investment Advisor for this selling stockholder. By virtue of his position with EBS Asset Management, Mr. Crichton is deemed to hold investment power and voting control over the shares held by this shareholder.
- (2) Antonio Perez is the Portfolio Manager of ABN Amro Bank and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (3) John H. Plunkett is the President and Gerald D. Levitz is the Executive Vice President of TBP Advisors, Ltd., which is the Investment Advisor of this selling shareholder. By virtue of their positions with TBP Advisors, Ltd., Mr. Plunkett and Mr. Levitz are deemed to hold investment power and voting control over the shares held by this selling stockholder.





**Table of Contents**

- (4) George F. Wood is the President of Wood & Co., which is the Investment Advisor for this selling shareholder. By virtue of his position with Wood & Co., Mr. Wood is deemed to hold investment power and voting control over the shares held by this shareholder.
- (5) J. Philip Ferguson is the Vice President of AIM Advisors, Inc. which is the investment manager of this selling stockholder. By virtue of his position with AIM Advisors, Inc., Mr. Ferguson is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (6) Thomas M. Yehle, Gary J. Frohman and Alan W. Steinberg are deemed to hold shared investment power and voting control over the shares held by this selling stockholder.
- (7) Karl J. Wachter is the Authorized Signatory of Amaranth Advisor L.L.C., which is the Trading Advisor of this selling shareholder. By virtue of he position with Amaranth Advisor L.L.C., Ms. Wachter is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (8) The selling shareholder is an investment company registered under the Investment Company Act of 1940. Capital Research and Management Company (CRMC), an investment adviser registered under the Investment Advisers Act of 1940, is the investment adviser to this selling shareholder. In that capacity, CRMC is deemed to be the beneficial owner of shares held by this selling shareholder.
- (9) J. Richard Atwood is the Principal and Chief Operating Officer of First Pacific Advisors, Inc., which is the Investment Advisor of this selling shareholder. By virtue of his position with First Pacific Advisors, Inc., Mr. Atwood is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (10) Paul J. Isaac is the Manager of Arbitr Partners, LP and is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (11) James C. Pascoli is the President of Azzinaro Management, LLC and is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (12) Wellington Management Company LLP is the Investment Advisor of this selling shareholder. Wellington Management Company, LLP is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (13) Michael Powers is Managing Director of Bel Air Investment Advisors LLC, which is the investment manager of this selling stockholder. By virtue of his position with Bel Air Investment Advisors LLC, Mr. Powers is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (14) Robert Belfer is the managing general partner and Laurence Belfer is the associate general partner of this selling stockholder. By virtue of their positions with the selling shareholder, Robert Belfer and Laurence Belfer are deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (15) LuAnn Bennett is the Managing Member of Bennett Family LLC and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (16) Rajesh Idnani is the Manager of Blueprint Partners LP is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (17) Mary Ann Ludice is the Chief Compliance Officer of Boston Partners Asset Management, LLC, which is the investment manager of this selling shareholder. By virtue of her position at Boston Partners Asset Management, LLC, Ms. Ludice is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (18) William J. Brady is the general partner of Brady Retirement Fund, LP and as such is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (19) Eric Cantin is the Investment Manager of Caisse De Depot Et Placement Du Quebec and is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (20) William C. Eacho is the Manager of Carlton Capital Group, LLC and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (21) Ellen H. Adams is the Principal of CastleRock Management, LLC, which is the Investment Adviser of this selling shareholder. By virtue of her position with CastleRock Management, Ms. Adams is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (22) Jean Philippe Flament is the Portfolio Manager of Cheyne Capital and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (23) Robert J. Flanagan is the Manager of CNF Investments, LLC and as such is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (24) Harold Zirkin is the President of Zirkin Cuther Investment, which is the Investment Advisor of this selling shareholder. By virtue of his position with Zirkin Cuther Investment, Mr. Zirkin is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (25) Daniel B. Zwirn is the Managing Member of D.B. Zwirn Holdings, LLC, the general partner of D.B. Zwirn Special Opportunities Fund, LP. By virtue of his position at the general partner, Mr. Zwirn is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (26) As an officer of the selling shareholder, Patrick Corrigan holds investment power and voting control over the shares held by this selling shareholder.
- (27) Matthew Halbower is the Portfolio Manager of Deephaven Capital Management LLC, which is the General Partner of this selling shareholder. By virtue of his position with Deephaven Capital Management LLC, Mr. Halbower is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (28) David Baker is the Managing Director of Deutsche Bank Alternative Trading and is deemed to hold investment power and voting control over the shares held by this selling stockholder.

**Table of Contents**

- (29) Simon Glick is the manager of Siget, LLC, which is the General Partner of this selling shareholder. By virtue of his position with Siget, LLC, Mr. Glick is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (30) Alexander W. Rutherford is the Portfolio Manager of Drake Asset Management LLC, which is the General Partner of this selling shareholder. By virtue of his position with Drake Asset Management LLC, Mr. Rutherford is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (31) Edward Fox has investment power and voting control over the shares held by this selling stockholder.
- (32) David Williams is the Managing Director of U.S. Trust, which is the Investment Advisor of this selling shareholder. By virtue of his position with U.S. Trust, Mr. Williams is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (33) James Cornfeld is the Vice President of First Bank, Inc. and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (34) Robert J. Flanagan is the General Partner of Flanagan Family Limited Partnership and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (35) William D. Zantzing Jr. is a Partner of Gardner Lewis Asset Management, which is the Investment Advisor of this selling shareholder. By virtue of his position with Gardner Lewis Asset Management, Mr. Zantzing is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (36) William J. Brady is the general partner of Geary Partners, LP and as such is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (37) Noam Gottesman, Pierre Lagrange, Philippe Jabre and Emmanuel Roman are Directors of GLG Partners LP, which is the Investment Manager of this selling shareholder. By virtue of their positions with GLG Partners LP, the above listed directors are deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (38) Brandon R. Perry is the Principal of Global Capital Ltd. and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (39) Richard F. Fonash is the Vice President and COO-Investments of Gartmore Global Investment, which is the Investment Advisor of this selling shareholder. By virtue of his position with Gartmore Global Investment, Mr. Fonash is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (40) Wilfred Goodwin is the Trustee of this selling shareholder and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (41) Roland A. Von Metzsch is the Managing Member of Greystone Management, LLC, which is the General Partner of this selling shareholder. By virtue of his position with Greystone Management, LLC, Mr. Metzsch is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (42) Jon D. Gruber and J. Patterson McBain are Managers of Gruber & McBain Capital Management, which is the Investment Advisor of this selling shareholder. By virtue of their positions with Gruber & McBain Capital Management, Mr. Gruber and Mr. McBain are deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (43) Albert Powell is the Assistant Vice President of First Bank, which is the Investment Advisor of this selling shareholder. By virtue of his position with First Bank, Mr. Powell is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (44) B.T. Willingham is the Chief Investment Officer of Moncrief Willingham Energy Advisers, which is the Investment Adviser of this selling shareholder. By virtue of his position with Moncrief Willingham Energy Advisers, Mr. Willingham is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (45) Dora Hines is the Chief Operations Officer of HFR Asset Management, LLC, which is the Investment Advisor of this selling shareholder. By virtue of her position at HFR Asset Management, LLC, Ms. Hines is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (46) W. Russell Ramsey is the Principal of Ramsey Asset Management, which is the Investment Advisor of this selling shareholder. By virtue of his position with Ramsey Asset Management, Mr. Ramsey is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (47) Martin E. Zweig, Joseph A. DiMenna, Carol R. Whitehead, Kevin P. Cannon and Jeannine M. Lanese share investment power and voting control over the shares held by this selling stockholder as officers of Zweig-DiMenna Partners, LP.
- (48) Highbridge Capital Management, L.L.C., the Trading Advisor for this selling shareholder, exercises dispositive powers with respect to these shares and as such may be deemed to have beneficial ownership of such shares. Highbridge Capital Management, L.L.C. has designated authorized signatories who will sign on behalf of the selling stockholder. Glenn Dubin and Henry Swieca are co-chief executive officers of Highbridge Capital Management, L.L.C.
- (49) Todd Modic is the Senior Vice President of ING Fund Services, which is the Investment Advisor of this selling shareholder. By virtue of his position with ING Fund Services, Mr. Modic is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (50) James Dierberg is the President of Investors of America and is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (51) J. Steven Emerson is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (52) Jan Munroe is the trustee of this selling stockholder and has sole voting and has investment power and voting control over the shares held by this selling stockholder.
- (53) Joseph C. Kusnan is the Managing Partner of JCK Partners Opportunities Fund, Ltd. and is deemed to hold investment power and voting control over the shares held by this selling shareholder.

**Table of Contents**

- (54) Johanne S. Rupp has investment power and voting control over the shares held by this selling stockholder.
- (55) Barry Evans, Ismail Gunes and Timothy Keefe are Officers of John Hancock Advisors, which is the Investment Advisor of this selling shareholder. By virtue of their positions with John Hancock Advisors, the above listed officers are deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (56) Robin Stelmach is the Chief Operating Officer of MFS Investment Management, which is the Investment Advisor of this selling shareholder. By virtue of her position with MFS Investment Management, Ms. Stelmach is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (57) John J. Pohanka and Geoffrey Pohanka share voting and investment power over the shares held by this selling stockholder.
- (58) Richard Johnson is the trustee of this selling stockholder and has sole voting and has investment power and voting control over the shares held by this selling stockholder.
- (59) Jon D. Gruber is the Manager of Gruber & McBaine Cap Mgmt, which is the Investment Advisor of this selling shareholder. By virtue of his position with Gruber & McBaine Cap Mgmt, Mr. Gruber is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (60) George Karfunkel is the trustee of this selling stockholder and has sole voting and has investment power and voting control over the shares held by this selling stockholder.
- (61) Kathleen Swanson is the trustee of this selling stockholder and has sole voting and has investment power and voting control over the shares held by this selling stockholder.
- (62) Kenneth F. Rupp is the trustee of this selling stockholder and has sole voting and has investment power and voting control over the shares held by this selling stockholder.
- (63) Roger E. King is the Chief Investment Officer of King Investment Advisors, Inc., which is the Investment Advisor of this selling shareholder. By virtue of his position with King Investment Advisors, Inc., Mr. Swanson is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (64) Steven Spector is the general partner of this selling stockholder. As such, Mr. Spector has investment power and voting control over the shares held by this selling stockholder.
- (65) John Lupo is the Senior Vice President and William Yelsits is the Vice President of Lehman Brothers and are deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (66) Ronald Liebowitz is the managing member of Liebro Partners, LLC, the selling stockholder. By virtue of his position with the selling stockholder, Mr. Liebowitz is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (67) Eileen Aptman is the managing member of this selling stockholder and is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (68) Wilfred Goodwyn is the trustee of this selling stockholder and has sole voting and has investment power and voting control over the shares held by this selling stockholder.
- (69) Mark Ristow has investment power and voting control over the shares held by this selling stockholder.
- (70) Julie Van Houten is the trustee of this selling stockholder and has sole voting and has investment power and voting control over the shares held by this selling stockholder.
- (71) Karen Morely Westcott is a Fund Analyst for the Investment Manager of this selling shareholder. By virtue of this position, Ms. Westcott is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (72) Milton V. Peterson is the trustee of this selling stockholder and has sole voting and has investment power and voting control over the shares held by this selling stockholder.
- (73) Dennis T. Mykytyn is the managing member of Modern Capital Fund, LLC, the selling stockholder. By virtue of his position with the selling stockholder, Mr. Mykytyn is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (74) Anthony Gallagher is the Director of Operations of Moore Capital Management, LLC, which is the Trading Manager of this selling shareholder. By virtue of his position with Moore Capital Management, LLC, Mr. Gallagher is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (75) The Fund has adopted proxy voting policies pursuant to which Munder Capital Management's proxy voting committee, which is made up of Mary Ann C. Shumaker (non-voting), Stephen J. Shekenberg (non-voting), Andrea Leistra, Debbie Leich and Thomas Mudie, is responsible for exercising voting power on behalf of the Fund. The Fund's portfolio managers, John P. Richardson, Robert E. Crosby and Julie R. Hollingshead; officers Enrique Chang, Stephen J. Shenkenberg, Peter K. Hoglund, Cherie N. Ugotowski, David W. Rumph, Bradford E. Smith, Kevin R. Kuhl, Mary Ann C. Chumaker, Malanie Mayo West and Amy D. Eisenbeis; and other designated personnel of Munder Capital, John S. Adams, Peter G. Root, Anne K. Kennedy, Dennis M. Fox, Benjamin W. Upward, Jon G. Wilcox and William Chip H. Hoisington may exercise investment power on behalf of the fund.
- (76) William Moore is the Chief Financial Officer of Natelli Communities, LP and is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (77) Chana Edelstein Isaac Hebroni are Directors of Horizons Cayman Trading, Ltd, which is the General Partner of this selling shareholder. By virtue their positions with Horizons Cayman Trading, Ltd, Ms. Edelstein and Mr. Hebroni are deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (78) Carl Andersen is the Portfolio Manager of Northern Light Management and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (79) Peter. S. Park is the Principal of Park West Asset Management, LLC, which is the managing member of this selling stockholder. By virtue of his position with the managing member, Mr. Park is deemed to hold investment power and voting control over the shares held by this selling stockholder.

**Table of Contents**

- (80) Pioneer Investment Management Inc. is the Investment Advisor of this selling shareholder and holds investment power and voting control over the shares held by this selling shareholder.
- (81) William J. Brady is the general partner of Presidio Partners, LP and as such is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (82) Richard S. Bodman is the Trustee of Richard S. Bodman Revocable Trust and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (83) Daniel Vandivort is the Chief Investment Officer and Richard Shuster is the Managing Director of Weiss, Peck and Gardener Investments, which is a division of Robeco USA, LLC, which is the managing member of the supervisory general partner of this selling stockholder. By virtue of their positions with Weiss, Peck and Gardener Investments, Mr. Vandivort and Mr. Shuster are deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (84) Robert L. Rewey, Jr. is the trustee of this selling stockholder and has sole voting and has investment power and voting control over the shares held by this selling stockholder.
- (85) Atul Khanna is the Chief Executive Officer of Rockbay Capital Advisors, Inc., which is the general partner of Rockbay Capital Management, LP, which is the investment manager of this selling stockholder. By virtue of his position with the investment manager, Mr. Khanna is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (86) Samuel L. Lim is the owner of this account and has investment power and voting control over the shares.
- (87) Edward B. Grier is the Manager of Saratoga Capital, LLC and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (88) Alberto Spagnolo Azkarate is the Investment Director of Scorpius Sicav and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (89) Nelson Woodard is the Managing Director of Dreman Value Management, which is the investment manager of this selling shareholder. By virtue of his position at Dreman Value Management, Mr. Woodard is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (90) As officers of the selling shareholder, Michael A. Roth and Brian J. Stark share investment power and voting control over the shares held by this selling shareholder.
- (91) Alberto Spagnolo Azkarate is the Investment Director of Skarpia Sicav and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (92) Frank T. Stewart, Guy T. Stewart and Leonard P. Stewart share investment power and voting control over the shares held by this selling stockholder.
- (93) Haakon Aschehoug is the Portfolio Manager of Storebrand Investments and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (94) Chad Comiteau is the General Partner of Stratford Partners, LP and is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (95) Miles A. Stone is president of this selling stockholder and has investment power and voting control over the shares held by this selling stockholder.
- (96) Dean L. Overman is the President of this selling stockholder and has sole voting and has investment power and voting control over the shares held by this selling stockholder.
- (97) Jerome R. Baier is a portfolio manager of Northwestern Investment Management Company, LLC, which is the Investment Advisor of this selling shareholder. By virtue of his position with Northwestern Investment Management Company, LLC, Mr. Baier is deemed to hold shared investment power and voting control over the shares held by this selling shareholder.
- (98) Dwight Anderson is the President and Controlling Equity Owner of Ospraie Management, Inc., which is the General Partner of Ospraie Holding I, L.P., which is the Managing Member of Ospraie Management, LLC, which is the Investment Manager of this selling shareholder. By virtue of his position with Ospraie Management, Inc., Mr. Anderson is deemed to hold investment power and voting control over the shares held by this selling shareholder. Mr. Anderson disclaims any beneficial ownership in such shares except to the extent of any pecuniary interest therein.
- (99) As officers of the selling shareholder, Maarten Robberts and Peter Ijsseling share investment power and voting control over the shares held by this selling shareholder.
- (100) David A. Banse is the Chief Executive Officer of Third Avenue Management LLC, which is the Investment Advisor of Third Avenue Trust, which is the Investment Advisor of this selling shareholder. By virtue of his position with Third Avenue Management LLC, Mr. Banse is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (101) Mark A. Buntu is the Chief Financial Officer of The William K. Warren Foundation and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (102) F. Rossi is the Investment Advisor of Union Bancaire Privee and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (103) James A. Lustig is the President of United Capital Management and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (104) J.A. Syme is the President of Venture Sim. By virtue of his position the selling stockholder, Mr. Syme is deemed to hold investment power and voting control over the shares held by this selling stockholder.
- (105) Allan R. Lyons is the managing member of 21st Century Strategic Investment Planning, LLC, which is the general Partner of this selling stockholder. By virtue of his position with the managing member, Mr. Lyons is deemed to hold investment power and voting control over the shares held by this selling stockholder.

**Table of Contents**

- (106) Jason Cross as Fund Manager, Gary Kohler as Fund Manager, and Andrew Redleaf as Managing Member of Whitebox Advisors, LLC, which is the General Partner of this selling shareholder are deemed to share investment power and voting control over the shares held by this selling shareholder.
- (107) As officers of the selling shareholder, Alex Wieggers, George Wieggers and Deane Kreitler share investment power and voting control over the shares held by this selling shareholder
- (108) William A. Hazel is the Trustee of William A. Hazel Revocable Trust and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (109) As trustees of this selling stockholder, Abraham Witteles is deemed to have voting and investment control over the shares held by this selling stockholder.
- (110) William G. Butterlyan is the Senior Managing Director of Robeco USA LLC, which is the Investment Advisor of this selling shareholder. By virtue of his position with Bobero USA LLC, Mr. Butterlyan is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (111) Nelson Ohus is the President of this selling shareholder and is deemed to hold investment power and voting control over the shares held by this selling shareholder.
- (112) Jeannie Lanese is the V.P. Operations of Zweig-DiMenna Natural Resources, L.P. and is deemed to hold investment power and voting control over the shares held by this selling shareholder.

**Table of Contents**

**PLAN OF DISTRIBUTION**

We are registering the common stock covered by this prospectus to permit the selling stockholders to conduct public secondary trading of these shares from time to time after the date of this prospectus. Under the Registration Rights Agreement we entered into with selling stockholders, we agreed to, among other things, bear all expenses, other than brokers' or underwriters' discounts and commissions, in connection with the registration and sale of the common stock covered by this prospectus. We will not receive any of the proceeds of the sale of the common stock offered by this prospectus. The aggregate proceeds to the selling stockholders from the sale of the common stock will be the purchase price of the common stock less any discounts and commissions. A selling stockholder reserves the right to accept and, together with their agents, to reject, any proposed purchases of common stock to be made directly or through agents.

The common stock offered by this prospectus may be sold from time to time to purchasers:

directly by the selling stockholders and their successors, which includes their donees, pledges or transferees or their successors-in-interest, or

through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, commissions or agent's commissions from the selling stockholders or the purchasers of the common stock. These discounts, concessions, or commissions may be in excess of those customary in the types of transactions involved.

The selling stockholders and any underwriters, broker-dealers or agents who participate in the sale or distribution of the common stock may be deemed to be underwriters within the meaning of the Securities Act. The selling stockholders identified as registered broker-dealers in the selling stockholders table above (see Selling Stockholders) are deemed to be underwriters. As a result, any profits on the sale of the common stock by such selling stockholders and any discounts, commissions or agent's commissions or concessions received by any such broker-dealer or agents may be deemed to be underwriting discounts and commissions under the Securities Act. Selling stockholders who are deemed to be underwriters with the meaning of Section 2(11) of the Securities Act will be subject to prospectus delivery requirements of the Securities Act. Underwriters are subject to certain statutory liabilities, including, but not limited to, Sections 11, 12 and 17 of the Securities Act.

The common stock may be sold in one or more transactions at:

fixed prices;

prevailing market prices at the time of sale;

prices related to such prevailing market prices;

varying prices determined at the time of sale; or

negotiated prices.

These sales may be effected in one or more transactions:

on any national securities exchange or quotation on which the common stock may be listed or quoted at the time of the sale;

## Edgar Filing: Rosetta Resources Inc. - Form 424B3

in the over-the-counter market;

in transactions on such exchanges or services or in the over-the-counter market;

through the writing of options (including the issuance by the selling stockholders of derivative securities), whether the options or such other derivative securities are listed on an options exchange or otherwise;

through the settlement of short sales (only after the initial effectiveness of registration statement 333-128888); or

## Table of Contents

through any combination of the foregoing.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the trade.

In connection with the sales of the common stock, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions that in turn may:

engage in short sales of the common stock (only after the initial effectiveness of registration statement 333-128888) in the course of hedging their positions;

sell the common stock short and deliver the common stock to close out short positions;

loan or pledge the common stock to broker-dealers or other financial institutions that in turn may sell the common stock;

enter into option or other transactions with broker-dealers or other financial institutions that require the delivery to the broker-dealer or other financial institution of the common stock, which the broker-dealer or other financial institution may resell under the prospectus; or

enter into transactions in which a broker-dealer makes purchases as a principal for resale for its own account or through other types of transactions.

To our knowledge, there are currently no plans, arrangements or understandings between any selling stockholders and any underwriter, broker-dealer or agent regarding the sale of the common stock by the selling stockholders.

Our common stock is listed on The NASDAQ National Market under the symbol **ROSE**.

There can be no assurance that any selling stockholder will sell any or all of the common stock under this prospectus. Further, we cannot assure you that any such selling stockholder will not transfer, devise or gift the common stock by other means not described in this prospectus. In addition, any common stock covered by this prospectus that qualifies for sale under Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than under this prospectus. The common stock covered by this prospectus may also be sold to non-U.S. persons outside the U.S. in accordance with Regulation S under the Securities Act rather than under this prospectus. The common stock may be sold in some states only through registered or licensed brokers or dealers. In addition, in some states the common stock may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification is available and complied with.

The selling stockholders and any other person participating in the sale of the common stock will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the common stock by the selling stockholders and any other such person. In addition, Regulation M may restrict the ability of any person engaged in the distribution of the common stock to engage in market-making activities with respect to the particular common stock being distributed. This may affect the marketability of the common stock and the ability of any person or entity to engage in market-making activities with respect to the common stock.

We have agreed to indemnify the selling stockholders against certain liabilities, including liabilities under the Securities Act.

We have agreed to pay substantially all of the expenses incidental to the registration, offering and sale of the common stock to the public, including the payment of federal securities law and state blue sky registration fees, except that we will not bear any underwriting discounts or commissions or transfer taxes relating to the sale of shares of our common stock.





**Table of Contents**

**DESCRIPTION OF CAPITAL STOCK**

Pursuant to our certificate of incorporation, we have the authority to issue an aggregate of 155,000,000 shares of capital stock, consisting of 150,000,000 shares of common stock, par value \$0.001 per share, and 5,000,000 shares of preferred stock, par value \$0.001 per share.

Selected provisions of our organizational documents are summarized below. Copies of our organizational documents will be provided upon request and are available on our website, <http://www.rosettaresources.com>. In addition, you should be aware that the summary below does not give full effect to the terms of the provisions of statutory or common law which may affect your rights as a stockholder.

**Common Stock**

As of May 5, 2006, we have a total of 50,591,819 shares of common stock outstanding, of which 591,819 have been issued to certain employees, directors and service providers or have been received from the exercise of options. We have reserved a total of 3,000,000 shares of our common stock for issuance to employees pursuant to our 2005 Long-Term Incentive Plan. Our Board of Directors has granted to certain employees and directors options to purchase up to a total of 882,000 shares of our common stock.

*Voting rights.* Each share of common stock is entitled to one vote in the election of directors and on all other matters submitted to a vote of our stockholders. Our stockholders may not cumulate their votes in the election of directors.

*Dividends, distributions and stock splits.* Holders of our common stock are entitled to receive dividends if, as and when such dividends are declared by our Board out of assets legally available therefore after payment of dividends required to be paid on shares of preferred stock, if any.

*Liquidation.* In the event of any dissolution, liquidation, or winding up of our affairs, whether voluntary or involuntary, after payment of our debts and other liabilities and making provision for any holders of our preferred stock that have a liquidation preference, our remaining assets will be distributed ratably among the holders of common stock.

*Fully paid.* All the shares of common stock outstanding as of the date of this prospectus are fully paid and nonassessable.

*Other rights.* Holders of our common stock have no redemption or conversion rights and no preemptive or other rights to subscribe for our securities.

**Preferred Stock**

The Board of Directors has the authority to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rates, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of that series, which may be superior to those of the common stock, without further vote or action by the stockholders. No shares of preferred stock are currently outstanding, and we have no present plans to issue any preferred stock.

One of the effects of undesignated preferred stock may be to enable our Board of Directors to render it more difficult to or to discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise, and as a result to protect the continuity of our management. The issuance of shares of the preferred stock by our Board of Directors as described above may adversely affect the rights of the holders of common stock. For example, preferred stock issued by us may rank prior to the common stock as to dividend rights,

## **Table of Contents**

liquidation preference or both, may have full or limited voting rights, and may be convertible into shares of common stock. Accordingly, the issuance of shares of preferred stock may discourage bids for our common stock or may otherwise adversely affect the market price of our common stock.

### **Liability and Indemnification of Officers and Directors**

Our certificate of incorporation contains certain provisions permitted under the Delaware General Corporation Law relating to the liability of directors. These provisions eliminate a director's personal liability for monetary damages resulting from a breach of fiduciary duty, except that a director will be personally liable:

for any breach of the director's duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

under Section 174 of the Delaware General Corporation Law relating to unlawful stock repurchases or dividends; or

for any transaction from which the director derives an improper personal benefit.

These provisions do not limit or eliminate our rights or those of any stockholder to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of a director's fiduciary duty. These provisions will not alter a director's liability under federal securities laws.

Our certificate of incorporation and bylaws also provide that we must indemnify our directors and officers to the fullest extent permitted by Delaware law and also provide that we must advance expenses, as incurred, to our directors and officers in connection with a legal proceeding to the fullest extent permitted by Delaware law, subject to very limited exceptions.

We have entered into separate indemnification agreements with our directors and officers that, in some cases, are broader than the specific indemnification provisions contained in our certificate of incorporation, bylaws or the Delaware General Corporation Law. The indemnification agreements require us, among other things, to indemnify the officers and directors against certain liabilities, other than liabilities arising from willful misconduct that may arise by reason of their status or service as directors or officers. We believe that these indemnification arrangements are necessary to attract and retain qualified individuals to serve as directors and officers.

### **Anti-Takeover Effects of Provisions of Delaware Law, Our Certificate of Incorporation and Bylaws**

Our certificate of incorporation, bylaws and the Delaware General Corporation Law contain certain provisions that could discourage potential takeover attempts and make it more difficult for our stockholders to change management or receive a premium for their shares. Our certificate of incorporation and bylaws prohibit our stockholders from taking action by written consent absent approval by all members of our Board of Directors. Further, our stockholders will not have the power to call a special meeting of stockholders.

### **Delaware Law**

We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover provision. In general, the provision prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder. A business combination includes a merger, sale of 10% or more of our assets and certain other transactions resulting in a financial benefit to the stockholder. For purposes of Section 203, an interested stockholder is defined to include any person that is:

the owner of 15% or more of the outstanding voting stock of the corporation;



## **Table of Contents**

an affiliate or associate of the corporation and was the owner of 15% or more of the voting stock outstanding of the corporation, at any time within three years immediately prior to the relevant date; or

an affiliate or associate of the persons described in the foregoing bullet points.

However, the above provisions of Section 203 do not apply if:

our Board approves the transaction that made the stockholder an interested stockholder prior to the date of that transaction; or

after the completion of the transaction that resulted in the stockholder becoming an interested stockholder, that stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding shares owned by our officers and directors; or on or subsequent to the date of the transaction, the business combination is approved by our board and authorized at a meeting of our stockholders by an affirmative vote of at least two-thirds of the outstanding voting stock not owned by the interested stockholder.

Stockholders may, by adopting an amendment to the corporation's certificate of incorporation or bylaws, elect for the corporation not to be governed by Section 203, effective 12 months after adoption. Neither our certificate of incorporation nor our bylaws exempt us from the restrictions imposed under Section 203. It is anticipated that the provisions of Section 203 may encourage companies interested in acquiring us to negotiate in advance with our board.

## **Charter and Bylaw Provisions**

Our certificate of incorporation and bylaws provide that any action required or permitted to be taken by our stockholders may only be effected at a duly called annual or special meeting of the stockholders and may not be taken by written consent of the stockholders unless our Board of Directors approves the taking of the action by written consent. If our Board of Directors authorizes our stockholders to take action by written consent, our stockholders may take action by written consent if the consent is signed by stockholders having not less than the minimum number of votes necessary to take the action. Special meetings of stockholders may be called only by our chairman, our chief executive officer or by a majority of our board.

Directors may be removed with the approval of the holders of a majority of the shares then entitled to vote at an election of directors. Directors may be removed by stockholders with or without cause. Vacancies and newly-created directorships resulting from any increase in the number of directors may be filled by a majority of the directors then in office, though less than a quorum. If there are no directors in office, then an election of directors may be held in the manner provided by law.

## **Transfer Agent and Registrar**

Our transfer agent and registrar for our common stock will be American Stock Transfer & Trust Company.

## **Restricted Stock Agreements**

Certain of the 569,069 shares of common stock as of May 5, 2006, acquired by members of management and other employees are subject to restrictions under applicable restricted stock grant agreements. The restrictions generally require the employee, director or other service provider to remain continuously in the service of Rosetta or an affiliate through certain vesting dates. The restricted shares vest 25% after the first anniversary of the grant, 25% after the second anniversary of the grant, and 50% after the third anniversary of the grant, assuming that the recipient remains in our service on those dates. For some of these shares, vesting occurred when we became a publicly traded company in February 2006.

**Table of Contents**

**SHARES ELIGIBLE FOR FUTURE SALE**

Because we have registered a substantial number of our shares of common stock for resale, the sale of those shares in the public market after the date of this prospectus, or the perception that such sales may occur, could adversely affect the prevailing market price of our common stock.

We have 50,591,819 shares of common stock outstanding as of May 5, 2006. Of those shares, all of the shares of our common stock sold under this prospectus will be freely tradable without restriction or further registration under the Securities Act, unless the shares are purchased by affiliates as that term is defined in Rule 144 under the Securities Act. Any shares purchased by an affiliate may not be resold except in compliance with Rule 144 volume limitations, manner of sale and notice requirements, pursuant to another applicable exemption from registration or pursuant to an effective registration statement. The shares of common stock held by our employees are restricted securities as that term is defined in Rule 144 under the Securities Act. These restricted securities may be sold in the public market by our employees only if they are registered or if they qualify for an exemption from registration under Rule 144 or Rule 144(k) under the Securities Act. These rules are summarized below.

**Rule 144**

In general, under Rule 144 as currently in effect, a person or persons whose shares are aggregated, who have beneficially owned restricted shares for at least one year, including persons who may be deemed to be our affiliates, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of (i) 1% of the number of shares of common stock then outstanding, which will equal approximately 505,918 shares on the date of this prospectus, or (ii) the average weekly trading volume of our common stock during the four calendar weeks before a notice of the sale on SEC Form 144 is filed.

Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of certain public information about us.

**Rule 144(k)**

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell these shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

**Stock Issued Under Employee Plans**

We have filed a registration statement on Form S-8 under the Securities Act (333-131791) to register 2,688,600 shares of common stock issuable, with respect to options and restricted stock units to be granted, or otherwise, under our employee plans or otherwise for resale. In connection with our acquisition of our business and separation from Calpine, as well as the need to attract new employees, through May 5, 2006, we issued 882,000 options to purchase our common stock and 667,900 shares of our restricted stock to our employees, directors and other service providers (93,331 of which have been cancelled, forfeited or returned to treasury). Shares issued upon the exercise of stock options or restricted stock after the effective date of the Form S-8 registration statement will be eligible for resale in the public market without restriction, subject to Rule 144 limitations applicable to affiliates. Under Rule 701 under the Securities Act, as currently in effect, each of our employees, officers, directors, and consultants who purchased or received shares pursuant to a written compensatory plan or contract is eligible to resell those shares 90 days after February 13, 2006, the date of the prospectus which was a part of our initial effective registration statement in reliance upon Rule 144, but without compliance with specific restrictions. Rule 701 provides that affiliates may sell their Rule 701 shares under Rule 144 without complying with the holding period requirement and that non-affiliates may sell their shares in reliance on Rule 144 without complying with the holding period, public information, volume limitation, or notice provisions of Rule 144.

---

**Table of Contents**

**MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR  
NON-U.S. HOLDERS OF OUR COMMON STOCK**

The following discussion describes the material U.S. federal income tax consequences to non-U.S. holders (as defined below) of the acquisition, ownership and disposition of our common stock. This discussion is not a complete analysis of all the potential U.S. federal income tax consequences relating thereto, nor does it address any tax consequences arising under any state, local or foreign tax laws or any other U.S. federal tax laws. This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the IRS), all as in effect as of the date of this prospectus. These authorities may change, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below. No ruling from the IRS has been or will be sought with respect to the matters discussed below, and there can be no assurance that the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership or disposition of our common stock, or that any such contrary position would not be sustained by a court.

This discussion is limited to non-U.S. holders who purchase our common stock and who hold our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax considerations that may be relevant to a particular holder in light of that holder's particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including, without limitation, U.S. expatriates, partnerships, controlled foreign corporations, passive foreign investment companies, corporations that accumulate earnings to avoid U.S. federal income tax, financial institutions, insurance companies, brokers, dealers or traders in securities, commodities or currencies, tax-exempt organizations, tax-qualified retirement plans, persons subject to the alternative minimum tax, and persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment.

For the purposes of this discussion, a non-U.S. holder is any beneficial owner of our common stock that is not a U.S. person for U.S. federal income tax purposes. A U.S. person is any of the following:

a citizen or resident of the United States;

a corporation or partnership (or other entity treated as a corporation or a partnership for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia;

an estate, the income of which is subject to U.S. federal income tax regardless of its source; or

a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or (2) has validly elected to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (or other entity taxed as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner in the partnership generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our common stock and partners in such partnerships are urged to consult their tax advisors regarding the specific U.S. federal income tax consequences to them.

**Distributions on our Common Stock**

We do not presently anticipate paying cash dividends on shares of our common stock. For more information, please see Dividend Policy. If dividends are paid on shares of our common stock, however, such payments will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated

---

## **Table of Contents**

as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a holder's adjusted tax basis in the common stock, but not below zero. Any excess will be treated as capital gain.

Dividends paid to a non-U.S. holder of our common stock that are not effectively connected with a U.S. trade or business conducted by such holder generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate specified by an applicable tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish to us or our paying agent a valid IRS Form W-8BEN (or applicable successor form) certifying such holder's qualification for the reduced rate. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. Non-U.S. holders that do not timely provide us or our paying agent with the required certification, but which qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

If a non-U.S. holder holds our common stock in connection with the conduct of a trade or business in the United States, and dividends paid on the common stock are effectively connected with such holder's U.S. trade or business, the non-U.S. holder will be exempt from U.S. federal withholding tax. To claim the exemption, the non-U.S. holder must furnish to us or our paying agent a properly executed IRS Form W-8ECI (or applicable successor form).

Any dividends paid on our common stock that are effectively connected with a non-U.S. holder's U.S. trade or business (or if required by an applicable tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States) generally will be subject to U.S. federal income tax on a net income basis in the same manner as if such holder were a resident of the United States, unless an applicable tax treaty provides otherwise. A non-U.S. holder that is a foreign corporation also may be subject to a branch profits tax equal to 30% (or such lower rate specified by an applicable tax treaty) of a portion of its effectively connected earnings and profits for the taxable year. Non-U.S. holders are urged to consult any applicable tax treaties that may provide for different rules.

### **Gain on Disposition of our Common Stock**

A non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, or if required by an applicable tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States;

the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or

our common stock constitutes a U.S. real property interest by reason of our status as a United States real property holding corporation for U.S. federal income tax purposes (a USRPHC) at any time within the shorter of the five-year period preceding the disposition or your holding period for our common stock.

Unless an applicable tax treaty provides otherwise, gain described in the first bullet point above will be subject to U.S. federal income tax on a net income basis in the same manner as if such holder were a resident of the United States. Non-U.S. holders that are foreign corporations also may be subject to a branch profits tax equal to 30% (or such lower rate specified by an applicable tax treaty) of a portion of its effectively connected earnings and profits for the taxable year. Non-U.S. holders are urged to consult any applicable tax treaties that may provide for different rules.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate, but may be offset by U.S. source capital losses.



---

## **Table of Contents**

We believe that we are a USRPHC. Nonetheless, a non-United States holder generally will not be subject to United States federal income tax on any gain realized on a disposition of our common stock as a result of the third bullet point above if our common stock is considered to be regularly traded on an established securities market, within the meaning of Section 897 of the Code and the applicable Treasury Regulations, at any time during the calendar year in which the sale or other disposition occurs, and the non-United States holder does not actually or constructively own, at any time during the five-year period ending on the date of the sale or other disposition, more than 5% of our common stock. Even after this shelf registration statement becomes effective, it is possible that our common stock will not be considered regularly traded if it is not regularly quoted by brokers or dealers making a market in our common stock. If our common stock is not considered to be regularly traded on an established securities market, a non-United States holder may be subject to withholding at a 10% rate and the non-United States holder generally will be taxed on its net gain derived from the disposition of our common stock at the regular graduated U.S. federal income tax rates and in much the same manner as is applicable to U.S. persons. If the non-United States holder is a foreign corporation, the additional branch profits tax described above may also apply. Non-United States holders should consult their own tax advisors with respect to the application of the foregoing rules to their ownership and disposition of our common stock.

### **Information Reporting and Backup Withholding**

We must report annually to the IRS and to each non-U.S. holder the amount of dividends on our common stock paid to such holder and the amount of any tax withheld with respect to those dividends. These information reporting requirements apply even if no withholding was required because the dividends were effectively connected with the holder's conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established. Backup withholding, however, generally will not apply to payments of dividends to a non-U.S. holder of our common stock provided the non-U.S. holder furnishes to us or our paying agent the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN or W-8ECI. The gross amount of dividends paid to a non-U.S. holder that fails to certify its non-U.S. holder status in accordance with applicable U.S. Treasury Regulations generally will be reduced by backup withholding tax at a current rate of 28%.

Payment of the proceeds from a disposition by a non-U.S. holder of our common stock to or through the U.S. office of a broker generally will be subject to information reporting and backup withholding unless the non-U.S. holder certifies as to its non-U.S. holder status under penalties of perjury, such as by providing a valid IRS Form W-8BEN or W-8ECI, or otherwise establishes an exemption from information reporting and backup withholding. The payment of the proceeds on the disposition of common stock by a non-U.S. holder to or through a non-U.S. office of a broker generally will not be reduced by backup withholding or reported to the IRS. If, however, the broker is a U.S. person or has specified connections with the United States, unless some conditions are met, the proceeds from that disposition generally will be reported to the IRS, but not reduced by backup withholding. Notwithstanding the foregoing, information reporting and backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that you are a U.S. person.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF OUR COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS AND ANY OTHER U.S. FEDERAL TAX LAWS.

---

**Table of Contents**

**REGISTRATION RIGHTS**

We entered into a registration rights agreement in connection with our private equity placement in July 2005. In the registration rights agreement we agreed, for the benefit of the purchasers of our common stock in the private equity placement, that we would, at our expense:

file with the SEC (which occurs pursuant to the filing of the shelf registration statement of which this prospectus is a part), within 120 days after the closing date of the private equity placement, a registration statement (a shelf registration statement );

use our commercially reasonable efforts to cause the shelf registration statement to become effective under the Securities Act as soon as practicable after the filing;

continuously maintain the effectiveness of the shelf registration statement under the Securities Act until the shares of our common stock set forth in Selling Stockholders are no longer eligible to be included in this shelf registration statement after:

the sale of all of the shares of common stock covered by the shelf registration statement pursuant to a registration statement;

the sale, transfer or other disposition of the shares of common stock covered by the shelf registration statement or pursuant to Rule 144 under the Securities Act;

such time as the shares covered by the shelf registration statement and not held by affiliates of us are, in the opinion of our counsel, eligible for sale pursuant to Rule 144(k) (or any successor or analogous rule) under the Securities Act;

such time as the shares covered by the shelf registration statement are eligible for sale without restriction pursuant to an available exemption from registration under the Securities Act; or the shares have been sold to us or any of our subsidiaries.

We have filed the registration statement to satisfy our obligations under the registration rights agreement, which registration statement was declared effective. This prospectus is part of a post-effective amendment to that registration statement. A purchaser of our common stock in connection with this prospectus will not receive the benefits of the registration rights agreement.

Notwithstanding the foregoing, we will be permitted, under limited circumstances, to suspend the use, from time to time, of the shelf registration statement of which this is a part (and therefore suspend sales under the registration statement of which this prospectus is a part) for certain periods, referred to as blackout periods, if, among other things, any of the following occurs:

The representative of the underwriters of an underwritten offering of primary shares by us has advised us that the sale of shares of our common stock under the shelf registration statement would have a material adverse effect on our initial public offering; a majority of our Board of Directors, in good faith, determines that (1) the offer or sale of any shares of our common stock would materially impede, delay or interfere with any proposed financing, offer or sale of securities, acquisition, merger, tender offer, business combination, corporate reorganization, consolidation or other significant transaction involving us; (2) after the advice of counsel, the sale of the shares covered by the shelf registration statement would require disclosure of non-public material information not otherwise required to be disclosed under applicable law; or (3) either (x) we have a bona fide business purpose for preserving the confidentiality of the proposed transaction, (y) disclosure would have a material adverse effect on us or our ability to consummate the proposed transaction, or (z) the proposed transaction renders us unable to comply with SEC requirements; or

## Edgar Filing: Rosetta Resources Inc. - Form 424B3

a majority of our Board of Directors, in good faith, determines, that we are required by law, rule or regulation to supplement the shelf registration statement or file a post-effective amendment to the shelf

## Table of Contents

registration statement in order to incorporate information into the shelf registration statement for the purpose of (1) including in the shelf registration statement a prospectus required under Section 10(a)(3) of the Securities Act; (2) including in the prospectus included in the shelf registration statement any facts or events arising after the effective date of the shelf registration statement (or the most-recent post-effective amendment) that, individually or in the aggregate, represents a fundamental change in the information set forth in the prospectus; or (3) including in the prospectus included in the shelf registration statement any material information with respect to the plan of distribution not disclosed in the shelf registration statement or any material change to such information.

The cumulative blackout periods in any 12 month period commencing on the closing of the private equity placement may not exceed an aggregate of 90 days and furthermore may not exceed 60 days in any 90-day period, except as a result of a review of any post-effective amendment by the SEC prior to declaring it effective; provided we have used all commercially reasonable efforts to cause such post-effective amendment to be declared effective.

In addition to this limited ability to suspend use of the shelf registration statement, until we are eligible to incorporate by reference into the registration statement our periodic and current reports, which will not occur until at least one year following the end of the month in which the registration statement of which this prospectus is a part is declared effective, we will be required to amend or supplement the shelf registration statement to include our quarterly and annual financial information and other developments material to us. Therefore, sales under the shelf registration statement will be suspended until the amendment or supplement, as the case may be, is filed and effective.

A holder of shares of our common stock eligible to include shares on this shelf registration statement will be required to deliver a questionnaire to us to verify the holder's information with respect to our common stock.

A holder who sells our common stock pursuant to the shelf registration statement will be required to be named as a selling stockholder in this prospectus, as it may be amended or supplemented from time to time, and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement that are applicable to such holder (including certain indemnification rights and obligations). In addition, each holder of our common stock must deliver information to be used in connection with the shelf registration statement in order to have such holder's shares of our common stock included in the shelf registration statement.

Each holder will be deemed to have agreed that, upon receipt of notice of the occurrence of any event which makes a statement in the prospectus which is a part of the shelf registration statement untrue in any material respect or which requires the making of any changes in such prospectus in order to make the statements therein not misleading, or of certain other events specified in the registration rights agreement, such holder will suspend the sale of our common stock pursuant to such prospectus until we have amended or supplemented such prospectus to correct such misstatement or omission and have furnished copies of such amended or supplemented prospectus to such holder or we have given notice that the sale of the common stock may be resumed.

**Table of Contents**

**LEGAL MATTERS**

The validity of the shares offered hereby will be passed upon for us by Thompson & Knight LLP.

**EXPERTS**

The consolidated financial statements of Rosetta Resources Inc. and its subsidiaries (successor) as of and for the six months ended December 31, 2005, incorporated in this prospectus by reference from the Annual Report on Form 10-K for the year ended December 31, 2005 have been so incorporated in reliance on the report (which includes an explanatory paragraph relating to the bankruptcy filing of its former parent subsequent to the acquisition of the oil and natural gas business of Calpine Corporation and affiliates as described in Note 11 to the consolidated financial statements) of PricewaterhouseCoopers, LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The combined financial statements of the Domestic Oil & Natural Gas Properties of Calpine Corporation and Affiliates (predecessor) as of December 31, 2004 and for the six months ended June 30, 2005 and each of the two years in the period ended December 31, 2004 incorporated in this prospectus by reference from the Annual Report on Form 10-K for the year ended December 31, 2005 have been so incorporated in reliance on the report (which includes an explanatory paragraph relating to the significant transactions and relationships with related parties as described in Note 17 to the combined financial statements) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

**INDEPENDENT ENGINEERS**

The information included in this prospectus or incorporated by reference into this prospectus regarding estimated quantities of proved reserves and their present value is based, in part, on estimates of the proved reserves and present values of proved reserves as of December 31, 2005 based on a reserve report as of December 31, 2005 prepared by Netherland Sewell & Associates, Inc., independent petroleum engineers. These estimates are included in this prospectus in reliance upon the authority of the firm as experts in these matters.

**Table of Contents**

**GLOSSARY OF OIL AND NATURAL GAS TERMS**

The following is a description of the meanings of some of the oil and natural gas industry terms used in this prospectus.

**3-D seismic.** (Three-Dimensional Seismic Data) Geophysical data that depicts the subsurface strata in three dimensions. 3-D seismic data typically provides a more detailed and accurate interpretation of the subsurface strata than two-dimensional seismic data.

**Amplitude.** The difference between the maximum displacement of a seismic wave and the point of no displacement, or the null point.

**(Amplitude plays) anomalies.** An abrupt increase in seismic amplitude that can in some instances indicate the presence of hydrocarbons.

**Anticline.** An arch-shaped fold in rock in which layers are upwardly convex, often forming a hydrocarbon trap. Anticlines may form hydrocarbon traps, particularly in folds with reservoir-quality rocks in their core and impermeable seals in the outer layers of the fold.

**Appraisal well.** A well drilled several spacing locations away from a producing well to determine the boundaries or extent of a productive formation and to establish the existence of additional reserves.

**Bbl.** One stock tank barrel, or 42 U.S. gallons liquid volume, of oil or other liquid hydrocarbons.

**Bcf.** Billion cubic feet of natural gas.

**Bcfe.** Billion cubic feet equivalent determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids.

**Block.** A block depicted on the Outer Continental Shelf Leasing and Official Protraction Diagrams issued by the U.S. Minerals Management Service or a similar depiction on official protraction or similar diagrams, issued by a state bordering on the Gulf of Mexico.

**Btu or British thermal unit.** The quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

**Coalbed methane.** Coal is a carbon-rich sedimentary rock that forms from the remains of plants deposited as peat in swampy environments. Natural gas associated with coal, called coal gas or coalbed methane, can be produced economically from coal beds in some areas.

**Completion.** The installation of permanent equipment for the production of oil or natural gas.

**Developed acreage.** The number of acres that are allocated or assignable to productive wells or wells capable of production.

**Development well.** A well drilled within the proved boundaries of an oil or natural gas reservoir with the intention of completing the stratigraphic horizon known to be productive.

**Dry hole.** A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceeds production expenses and taxes.

**Dry hole costs.** Costs incurred in drilling a well, assuming a well is not successful, including plugging and abandonment costs.

**Exploratory well.** A well drilled to find and produce oil or natural gas reserves not classified as proved, to find a new reservoir in a field previously found to be productive of oil or natural gas in another reservoir or to extend a known reservoir.

## **Table of Contents**

***Fault.*** A break or planar surface in brittle rock across which there is observable displacement.

***Faulted downthrown rollover anticline.*** An arch-shaped fold in rock in which the convex geological structure is tipped as opposed to perpendicular to the ground and in which a visible break or displacement has occurred in brittle rock, often forming a hydrocarbon trap.

***Field.*** An area consisting of either a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

***Finding and development costs.*** Capital costs incurred in the acquisition, exploration, development and revisions of proved oil and natural gas reserves divided by proved reserve additions.

***Fracing or fracture stimulation technology.*** The technique of improving a well's production or injection rates by pumping a mixture of fluids into the formation and rupturing the rock, creating an artificial channel. As part of this technique, sand or other material may also be injected into the formation to keep the channel open, so that fluids or natural gases may more easily flow through the formation.

***Gross acres or gross wells.*** The total acres or wells, as the case may be, in which a working interest is owned.

***Horizontal drilling.*** A drilling operation in which a portion of the well is drilled horizontally within a productive or potentially productive formation. This operation usually yields a well that has the ability to produce higher volumes than a vertical well drilled in the same formation.

***Hydrocarbon indicator.*** A type of seismic amplitude anomaly, seismic event, or characteristic of seismic data that can occur in a hydrocarbon-bearing reservoir.

***Infill well.*** A well drilled between known producing wells to better exploit the reservoir.

***Injection well or injection.*** A well which is used to place liquids or natural gases into the producing zone during secondary/tertiary recovery operations to assist in maintaining reservoir pressure and enhancing recoveries from the field.

***Lease operating expenses.*** The expenses of lifting oil or natural gas from a producing formation to the surface, and the transportation and marketing thereof, constituting part of the current operating expenses of a working interest, and also including labor, superintendence, supplies, repairs, short-lived assets, maintenance, allocated overhead costs, ad valorem taxes and other expenses incidental to production, but excluding lease acquisition or drilling or completion expenses.

***MBbls.*** Thousand barrels of crude oil or other liquid hydrocarbons.

***Mcf.*** Thousand cubic feet of natural gas.

***Mcfe.*** Thousand cubic feet equivalent determined using the ratio of six Mcf of natural gas to one Bbl of oil, condensate or natural gas liquids.

***MMBbls.*** Million barrels of oil or other liquid hydrocarbons.

***MMBtu.*** Million British Thermal Units.

***MMcf.*** Million cubic feet of natural gas.

***MMcfe.*** Million cubic feet equivalent determined using the ratio of six Mcf of natural gas to one Bbl of oil, condensate or natural gas liquids.

***Net acres or net wells.*** The sum of the fractional working interests owned in gross acres or wells, as the case may be.

## **Table of Contents**

***Net revenue interest.*** An interest in all oil and natural gas produced and saved from, or attributable to, a particular property, net of all royalties, overriding royalties, net profits interests, carried interests, reversionary interests and any other burdens to which the person's interest is subject.

***Nonoperated working interests.*** The working interest or fraction thereof in a lease or unit, the owner of which is without operating rights by reason of an operating agreement.

***NYMEX.*** New York Mercantile Exchange.

***Operated working interests.*** Where the working interests for a property are co-owned, and where more than one party elects to participate in the development of a lease or unit, there is an operator designated for full control of all operations within the limits of the operating agreement for the development and production of the wells on the co-owned interests. The working interests of the operating party become the operated working interests.

***Payout.*** Generally refers to the recovery by the incurring party of its costs of drilling, completing, equipping and operating a well before another party's participation in the benefits of the well commences or is increased to a new level.

***Permeability.*** The ability, or measurement of a rock's ability, to transmit fluids, typically measured in darcies or millidarcies. Formations that transmit fluids readily are described as permeable and tend to have many large, well-connected pores.

***Porosity.*** The percentage of pore volume or void space, or that volume within rock that can contain fluids.

***PV-10 or present value of estimated future net revenues.*** An estimate of the present value of the estimated future net revenues from proved oil and natural gas reserves at a date indicated after deducting estimated production and ad valorem taxes, future capital costs and operating expenses, but before deducting any estimates of federal income taxes. The estimated future net revenues are discounted at an annual rate of 10%, in accordance with the Securities and Exchange Commission's practice, to determine their present value. The present value is shown to indicate the effect of time on the value of the revenue stream and should not be construed as being the fair market value of the properties. Estimates of future net revenues are made using oil and natural gas prices and operating costs at the date indicated and held constant for the life of the reserves.

***Productive well.*** A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

***Progradation.*** The accumulation of sequences by deposition in which beds are deposited successively basinward because sediment supply exceeds accommodation.

***Prospect.*** A specific geographic area which, based on supporting geological, geophysical or other data and also preliminary economic analysis using reasonably anticipated prices and costs, is deemed to have potential for the discovery of commercial hydrocarbons.

***Proved developed non-producing reserves.*** Proved developed reserves expected to be recovered from zones behind casing in existing wells. See Rule 4-10(a), paragraph (2) through (2)iii for a more complete definition.

***Proved developed producing reserves.*** Proved developed reserves that are expected to be recovered from completion intervals currently open in existing wells and capable of production to market. See Rule 4-10(a), paragraph (2) through (2)iii for a more complete definition.



## **Table of Contents**

***Proved developed reserves.*** Proved reserves that can be expected to be recovered from existing wells with existing equipment and operating methods. See Rule 4-10(a), paragraph (3) for a more complete definition.

***Proved reserves.*** The estimated quantities of oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. See Rule 4-10(a), paragraph (2) through (2)iii for a more complete definition.

***Proved undeveloped reserves.*** Proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. See Rule 4-10(a), paragraph (4) for a more complete definition.

***Reserve life index.*** This index is calculated by dividing year-end reserves by the average production during the past year to estimate the number of years of remaining production.

***Reservoir.*** A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

***Resistivity.*** The ability of a material to resist electrical conduction. Resistivity is used to indicate the presence of water and/or hydrocarbons.

***Secondary recovery.*** An artificial method or process used to restore or increase production from a reservoir after the primary production by the natural producing mechanism and reservoir pressure has experienced partial depletion. Natural gas injection and waterflooding are examples of this technique.

***Shelf.*** Areas in the Gulf of Mexico with depths less than 1,300 feet. Our shelf area and operations also includes a small amount of properties and operations in the onshore and bay areas of the Gulf Coast.

***Stratigraphy.*** The study of the history, composition, relative ages and distribution of layers of the earth's crust.

***Stratigraphic trap.*** A sealed geologic container capable of retaining hydrocarbons that was formed by changes in rock type or pinch-outs, unconformities, or sedimentary features such as reefs.

***Tcf.*** Trillion cubic feet of natural gas.

***Tcfe.*** Trillion cubic feet equivalent determined using the ratio of six Mcf of natural gas to one Bbl of oil, condensate or natural gas liquids.

***Trap.*** A configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not escape.

***Undeveloped acreage.*** Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil or natural gas regardless of whether or not such acreage contains proved reserves.

***Waterflooding.*** A secondary recovery operation in which water is injected into the producing formation in order to maintain reservoir pressure and force oil toward and into the producing wells.

***Working interest.*** The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production.

***Workover.*** The repair or stimulation of an existing production well for the purpose of restoring, prolonging or enhancing the production of hydrocarbons.

***Workover rig.*** A portable rig used to repair or adjust downhole equipment on an existing well.

***/d.*** Per day when used with volumetric units or dollars.



**Table of Contents**

**50,000,000 Shares**

**of**

**Common Stock**

---

**Prospectus**

**June 14, 2006**

**Dealer Prospectus Delivery Obligation**

**Until July 9, 2006 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.**