

GASTAR EXPLORATION, INC.  
Form SC 13D/A  
March 13, 2014

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OMB APPROVAL  
OMB Number: 3235-0145  
Expires: February 28, 2009  
Estimated average burden  
hours per response: 14.5

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 13D/A  
(Amendment No. 2)

Under the Securities Exchange Act of 1934

GASTAR EXPLORATION, INC.

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(Name of Issuer)

Common Stock

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(Title of Class of Securities)

367299203

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(CUSIP Number)

Global Undervalued Securities Master Fund, L.P.  
Attn: James K. Phillips  
301 Commerce Street, Suite 1900  
Fort Worth, Texas 76109  
(817) 348-8100

With a copy to:

Richard J. Birns, Esq.  
Boies, Schiller & Flexner LLP  
575 Lexington Avenue, 7th Floor  
New York, NY 10022  
(212) 446-2300

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(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

March 12, 2014

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box:

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 240.13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

SCHEDULE 13D

CUSIP No. 367299203

1 NAME OF REPORTING PERSON / I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Global Undervalued Securities Master Fund, L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)  (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

WC

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

4,465,997

NUMBER OF SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON WITH

8 SHARED VOTING POWER

-0-

9 SOLE DISPOSITIVE POWER

4,465,997

10 SHARED DISPOSITIVE POWER

-0-

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

4,465,997

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

7.2%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN



CUSIP No. 367299203

1 NAME OF REPORTING PERSON / I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Kleinheinz Capital Partners, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)  (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

AF

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Texas

7 SOLE VOTING POWER

-0-

NUMBER OF SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON WITH

8 SHARED VOTING POWER

4,465,997

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

4,465,997

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

4,465,997

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

7.2%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP No. 367299203

1 NAME OF REPORTING PERSON / I.R.S. IDENTIFICATION NO. OF ABOVE PERSON.

John B. Kleinheinz

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)  (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

WC

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

United States

7 SOLE VOTING POWER

-0-

NUMBER OF SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON WITH

8 SHARED VOTING POWER

4,465,997

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

4,465,997

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

4,465,997

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

7.2%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN

CUSIP No. 367299203

1 NAME OF REPORTING PERSON / I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Fred N. Reynolds

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)  (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

WC

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

United States

7 SOLE VOTING POWER

40,000

NUMBER OF SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON WITH

8 SHARED VOTING POWER

-0-

9 SOLE DISPOSITIVE POWER

40,000

10 SHARED DISPOSITIVE POWER

-0-

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

40,000

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN

## PREAMBLE

This Amendment No. 2 to Schedule 13D amends and supplements the Schedule 13D, dated December 22, 2013, filed by Global Undervalued Securities Master Fund, L.P., a Delaware limited partnership (the “Master Fund”), Kleinheinz Capital Partners, Inc., a Texas corporation (“Kleinheinz Inc.”), Mr. John B. Kleinheinz (collectively with the Master Fund and Kleinheinz Inc., the “Kleinheinz Parties”) and Mr. Fred N. Reynolds (collectively with the Kleinheinz Parties, the “Reporting Persons”) and Amendment No. 1 thereto, dated February 28, 2014, filed by the Reporting Persons, relating to shares of Common Stock of Gastar Exploration Ltd., now Gastar Exploration, Inc., a Delaware corporation (the “Issuer”).

### Item 3. Source and Amount of Funds or other Consideration

Item 3 is amended and supplemented to add the following information for updating as of the date hereof:

The net investment costs (including commissions, if any) of the shares of Common Stock purchased by the Reporting Persons are \$17,329,910. The source of funds to purchase the Reporting Persons’ shares of Common Stock was the working capital of the Reporting Persons, which may, at any given time, include margin loans made by brokerage firms in the ordinary course of business.

### Item 4. Purpose of Transaction

Item 4 is amended and supplemented to add the following information for updating as of the date hereof:

On March 12, 2014, the Issuer entered into an agreement (the “Settlement Agreement”) with the Reporting Persons that will result in two additional directors mutually agreeable to both the Issuer and the Reporting Persons becoming members of the Board.

The following is a brief description of certain terms of the Settlement Agreement, which description is qualified in its entirety by reference to the full text of the Settlement Agreement which is attached as Exhibit 1 hereto and incorporated by reference herein.

Under the terms of the Settlement Agreement, the Issuer has agreed to (a) increase the size of the Board from five to seven members; (b) appoint two directors mutually agreeable to both the Issuer and the Reporting Persons (the “Mutually Agreed Directors”) in accordance with the search process described below; (c) appoint one of the Mutually Agreed Directors as the Chairman of the Reserves Review Committee for at least as long as he serves as a member of the Board; and (d) nominate the Mutually Agreed Directors for election as directors to the Board at the annual meeting of stockholders of the Issuer, or any other meeting of stockholders held in lieu thereof, and any adjournments, postponements, reschedulings or continuations thereof (“Annual Meeting”) in each of 2014 and 2015. The Reporting Persons have agreed (a) at the Issuer’s Annual Meetings in 2014 and 2015, to vote all shares of Common Stock beneficially owned by the Reporting Persons in favor of all directors nominated by the Board for election; (b) to not nominate any person for election at the 2014 Annual Meeting or 2015 Annual Meeting; and (c) to abide by certain other standstill provisions until the date that is 60 days prior to the expiration of the Issuer’s advance notice period for the nomination of directors and



submission of stockholder proposals pursuant to the Second Amended and Restated Bylaws of the Issuer, as amended, for the Annual Meeting in 2016 (or such earlier date upon the occurrence of certain events, as described in the Settlement Agreement) (the “Standstill Period”).

Pursuant to the Settlement Agreement, the search process for Mutually Agreed Directors shall be conducted as follows: (i) within five business days following the effective date of the Settlement Agreement, the Nominating and Governance Committee shall engage Spencer Stuart or another executive search firm approved by the Reporting Persons (the “Search Firm”); (ii) the Search Firm shall identify candidates who are unaffiliated and unassociated with the Issuer and the Reporting Persons, would qualify as an independent director under the applicable rules of the U.S. Securities and Exchange Commission and the applicable rules of the New York Stock Exchange, and have certain agreed-to, recommended experience and qualifications (“Qualified Individuals”); (iii) the Nominating and Governance Committee shall, in good faith, consult with the Reporting Persons and keep the Reporting Persons reasonably updated throughout the search process; (iv) the Nominating and Governance Committee shall use its reasonable best efforts to propose, no later than 120 days after the effective date of the Settlement Agreement, two or more Qualified Individuals to the Reporting Persons for approval and (v) the Reporting Persons shall be entitled to have, together with the Nominating and Governance Committee, a joint in-person meeting with each proposed Qualified Individual prior to making its approval decision.

Under the terms of the Settlement Agreement, the Issuer and the Reporting Persons have agreed that in the event one or both of the Mutually Agreed Directors ceases to serve as a director of the Board for any reason, both the Issuer and the Reporting Persons shall use reasonable best efforts to replace such person with a new Mutually Agreed Director in accordance with the search process set forth in the Settlement Agreement.

Item 5. Interest in Securities of the Issuer

Item 5 is amended and supplemented to add the following information for updating as of the date hereof:

(a), (b) The Reporting Persons may be deemed to beneficially own in the aggregate 4,505,997 shares of Common Stock. Based on a total of 61,889,655 outstanding shares of Common Stock, as reported in the Issuer’s Form 10-K, filed on March 13, 2014, the Reporting Persons’ shares represent approximately 7.281% of the outstanding shares of Common Stock.

The Master Fund owns 4,465,997 shares of Common Stock (the “Master Fund Shares”), which represent approximately 7.216% of the outstanding shares of Common Stock.

Mr. Reynolds owns 40,000 shares of Common Stock (the “Reynolds Shares”), which represent approximately 0.065% of the outstanding shares of Common Stock. Additionally, Mr. Reynolds owns 2,000 shares of the 8.625% Cumulative Preferred Stock of the Issuer.

The Master Fund has the power to vote or to direct the vote of (and the power to dispose or direct the disposition of) the Master Fund Shares.

As general partner of the Master Fund, Kleinheinz Inc. may be deemed to have the shared power to vote or direct the vote of (and the shared power to dispose or direct the disposition of) the Master Fund Shares. Kleinheinz Inc. disclaims beneficial ownership of the Master Fund Shares.

As sole owner of the Master Fund and Kleinheinz Inc., Mr. Kleinheinz may be deemed to have the shared power to vote or direct the vote of (and the shared power to dispose or direct the disposition of) the Master Fund Shares. Mr. Kleinheinz disclaims beneficial ownership of the Master Fund Shares.

In accordance with the Joint Filing Agreement, dated December 22, 2013, by and among the Reporting Persons (the “Joint Filing Agreement”), each of the Kleinheinz Parties disclaims beneficial ownership over the Reynolds Shares.

Mr. Reynolds has the power to vote or to direct the vote of (and the power to dispose or direct the disposition of) the Reynolds Shares. In accordance with the Joint Filing Agreement, Mr. Reynolds disclaims beneficial ownership over the Master Fund Shares.

(c) The trading dates, number of shares of Common Stock purchased or sold, and the price per share of Common Stock for all transactions by the Reporting Persons in shares of Common Stock within the last sixty (60) days, all of which were brokered transactions, are set forth below.

Name of Reporting Person	Date	Number of Shares Purchased (Sold)	Average Price per Share
Master Fund	03/03/2014	28,114	\$6.25
Master Fund	03/05/2014	106,095	\$6.21
Master Fund	03/06/2014	15,791	\$6.11
Master Fund	03/07/2014	40,000	\$6.20
Master Fund	03/10/2014	997	\$6.16

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Item 6 is amended and supplemented to add the following information for updating as of the date hereof:

On March 12, 2014, the Issuer and the Reporting Persons entered into the Settlement Agreement, the terms of which are described in Item 4 of this Schedule 13D.

Item 7. Material to Be Filed as Exhibits

Exhibit 1 Settlement Agreement, dated March 12, 2014, by and among Gastar Exploration, Inc.; Global Undervalued Securities Master Fund, L.P.; Kleinheinz Capital Partners, Inc., John B. Kleinheinz; and Fred N. Reynolds



SIGNATURES

After reasonable inquiry and to the best of each of the undersigned's knowledge and belief, each of the undersigned, severally and not jointly, certifies that the information set forth in this statement is true, complete and correct.

Dated: March 13, 2014

GLOBAL UNDERVALUED SECURITIES MASTER FUND, L.P.

By: Kleinheinz Capital Partners, Inc., its general partner

By: /s/ John B. Kleinheinz  
Name: John B. Kleinheinz  
Title: President

KLEINHEINZ CAPITAL PARTNERS, INC.

By: /s/ John B. Kleinheinz  
Name: John B. Kleinheinz  
Title: President

JOHN B. KLEINHEINZ

/s/ John B. Kleinheinz

FRED N. REYNOLDS

/s/ Fred N. Reynolds

Exhibit 1

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT (this “Agreement”) is made and entered into as of March 12, 2014, by Gastar Exploration Inc., a Delaware corporation (the “Company”), on the one hand, and Global Undervalued Securities Master Fund L.P., a Delaware limited partnership (“Master Fund”), Kleinheinz Capital Partners, Inc., a Texas corporation (“Kleinheinz Inc.”), John B. Kleinheinz (“Kleinheinz”), and Fred N. Reynolds (“Reynolds” and collectively with Master Fund, Kleinheinz Inc., and Kleinheinz, the “Kleinheinz Group”), on the other hand. The Kleinheinz Group and the Company are each referred to herein as a “Party” and collectively, as the “Parties.”

RECITALS

WHEREAS, as of the date hereof, the Kleinheinz Group beneficially owns 4,505,997 shares of common stock of the Company (“Common Stock”);

WHEREAS, on February 28, 2014, the Kleinheinz Group filed an Amendment No. 1 to its Schedule 13D in respect of the Company (the “Schedule 13D”), in which the members of the Kleinheinz Group disclosed their intention to nominate two directors to the Company’s board of directors (the “Board”) at the 2014 Annual Meeting; and

WHEREAS, the Company and the Kleinheinz Group have determined to come to an agreement with respect to the composition of the Board and certain other matters, as provided in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound hereby, agree as follows:

1. Board Composition and Related Matters.

(a) Each member of the Kleinheinz Group agrees that it shall not, and that it shall not permit any of its Representatives to, directly or indirectly, (i) nominate or recommend for nomination any person for election at the 2014 Annual Meeting or 2015 Annual Meeting; (ii) submit any proposal for consideration at, or bring any other business before, the 2014 Annual Meeting or 2015 Annual Meeting; (iii) initiate, encourage or participate in any “withhold” or similar campaign with respect to the 2014 Annual Meeting or 2015 Annual Meeting; or (iv) publicly or privately encourage or support any other stockholder of the Company to take any of the actions described in this Section 1(a).

(b) The Company agrees to appoint two directors mutually agreeable to both the Company and the Kleinheinz Group (the “Mutually Agreed Directors”) in accordance with the process set forth in this Section 1(b). Within five business days following the date hereof, the Nominating and Governance Committee of the Board (the “Nominating Committee”) shall engage Spencer Stuart or another executive search firm approved by the Kleinheinz Group (the “Search Firm”) to identify candidates for appointment as directors to the Board. The Search Firm shall identify candidates who (i) are unaffiliated and unassociated with the Company and the Kleinheinz Group; (ii) qualify as an “independent director” under applicable rules of the U.S. Securities and Exchange Commission (the “SEC”) and the applicable rules of the New York Stock Exchange; and (iii) have the recommended (but not required) experience and qualifications set forth on Exhibit A, which shall be subject to modification with the mutual consent of the Parties (“Qualified Individuals”). The Nominating Committee shall evaluate all Qualified Individuals identified by the Search Firm consistent with the Nominating Committee’s fiduciary duties under applicable law and, in good faith, regularly consult with the Kleinheinz Group and keep the Kleinheinz Group reasonably updated throughout the search process. The Nominating

Committee shall use its reasonable best efforts to propose, as promptly as reasonably practicable but in no event later than 120 days after the date of this Agreement, two or more Qualified Individuals to the Kleinheinz Group for approval (which approval shall not be unreasonably withheld, delayed or conditioned). The Kleinheinz Group (or a designee thereof) shall be entitled to have, together with the Nominating Committee, a joint in-person meeting with each proposed Qualified Individual at the Company's headquarters in Houston prior to making its approval decision. No member of the Kleinheinz Group shall knowingly attempt to interfere with the process to appoint the Mutually Agreed Directors described herein by contacting any of the Qualified Individuals identified by the Search Firm outside the foregoing process; provided, however, that nothing in this Agreement shall prevent any member of the Kleinheinz Group from making recommendations to the Company regarding prospective Qualified Individuals; provided, further, that if the Nominating Committee proposes Qualified Individuals who were not recommended by the Kleinheinz Group, the fact that the Kleinheinz Group proposed other Qualified Individuals cannot, by its