MCCLELLAN HASSELL H
Form 3
May 07, 2010

FORM 3

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

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â MCCLELLAN HASSELL H
(Last) (First) (Middle)

BARNES GROUP INC.,Â 123 MAIN STREET
(Street)

BRISTOL,Â CTÂ 06010
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
05/07/2010

3. Issuer Name **and** Ticker or Trading Symbol
BARNES GROUP INC [B]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common	0	D	Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
		Title			

Date Exercisable	Expiration Date	Amount or Number of Shares	or Indirect (I) (Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MCCLELLAN HASSELL H BARNES GROUP INC. 123 MAIN STREET BRISTOL,Â CTÂ 06010	Â X	Â	Â	Â

Signatures

Hassell H. McClellan	05/07/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
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October 2013 - December 2013

Collars Crude Oil 142,600 95.00 95.00 99.00 - 101.00 99.71

January 2013 - December 2013

Collars Crude Oil 5,201,250 80.00 - 100.00 89.04 91.65 - 107.25 98.06

January 2013 - December 2013

Collars Natural Gas 1,825,000 3.75 3.75 4.26 4.26

January 2013 - December 2013

Swaps Natural Gas 240,000 3.56 3.56

January 2013 - December 2013

Swaps Crude Oil 360,000 97.60 - 105.55 102.18

February 2013 - December 2013

Collars Crude Oil 250,500 100.00 100.00 104.15 104.15

April 2014 - June 2014

Three-Way Collars Crude Oil 136,500 95.00 95.00 98.20 - 101.00 99.13 70.00 70.00

January 2014 - March 2014

Three-Way Collars Crude Oil 144,000 95.00 95.00 98.60 - 109.50 100.03 70.00 70.00

January 2014 - December 2014

Collars Crude Oil 2,190,000 85.00 85.00 95.10 - 96.35 95.92

January 2014 - December 2014

Collars Natural Gas 1,825,000 3.75 3.75 4.26 4.26

The Company presents the fair value of its derivative contracts at the gross amounts in the unaudited condensed consolidated balance sheets. The following table shows the potential effects of master netting arrangements on the fair value of the Company's derivative contracts at June 30, 2013

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HALCÓN RESOURCES CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. DERIVATIVE AND HEDGING ACTIVITIES (Continued)

and December 31, 2012 in accordance with ASU 2011-11 and ASU 2013-01, which were effective beginning January 1, 2013:

Offsetting of Derivative Assets and Liabilities	**Derivative Assets** June 30, 2013	**Derivative Assets** December 31, 2012	**Derivative Liabilities** June 30, 2013	**Derivative Liabilities** December 31, 2012
	(In thousands)		**(In thousands)**	
Gross amounts presented in the consolidated balance sheet	$ 20,635	$ 7,799	$ (5,198)	$ (12,890)
Amounts not offset in the consolidated balance sheet	(3,506)	(4,118)	3,414	3,899
Net amount	$ 17,129	$ 3,681	$ (1,784)	$ (8,991)

The Company enters into an International Swap Dealers Association Master Agreement (ISDA) with each counterparty prior to a derivative contract with such counterparty. The ISDA is a standard contract that governs all derivative contracts entered into between the Company and the respective counterparty. The ISDA allows for offsetting of amounts payable or receivable between the Company and the counterparty, at the election of both parties, for transactions that occur on the same date and in the same currency.

9. ASSET RETIREMENT OBLIGATIONS

The Company records an asset retirement obligation (ARO) when it can reasonably estimate the fair value of an obligation to perform site reclamation, dismantle facilities or plug and abandon costs. For gas gathering systems and equipment, the Company records an ARO when the system is placed in service and it can reasonably estimate the fair value of an obligation to perform site reclamation and other necessary work when it is required. The Company records the ARO liability on the unaudited condensed consolidated balance sheets and capitalizes a portion of the cost in *"Oil and natural gas properties"* or *"Other operating property and equipment"* during the period in which the obligation is incurred. The Company records the accretion of its ARO liabilities in *"Depletion, depreciation and accretion"* expense in the unaudited condensed consolidated statements of operations. The additional capitalized costs are depreciated on a unit-of-production basis or straight-line basis.

The Company recorded the following activity related to its ARO liability for the six months ended June 30, 2013 (in thousands, inclusive of the current portion):

Liability for asset retirement obligations as of December 31, 2012	$ 75,132
Liabilities settled and divested	(265)
Additions	5,037
Acquisitions	1,055
Accretion expense	1,825
Revisions in estimated cash flows	(433)
Liability for asset retirement obligations as of June 30, 2013	$ 82,351

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HALCÓN RESOURCES CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases corporate office space in Houston and Plano, Texas; Tulsa, Oklahoma; Denver, Colorado; and Williston, North Dakota as well as a number of other field office locations. Rent expense was approximately $4.4 million and $1.2 million for the six months ended June 30, 2013 and 2012, respectively. In addition, the Company has commitments for certain equipment under long-term operating lease agreements, namely drilling rigs as well as pipeline and well equipment, with various expiration dates through 2015. Early termination of the drilling rig commitments would result in termination penalties approximating $42.6 million, which would be in lieu of the remaining $68.9 million of drilling rig commitments as of June 30, 2013. As of June 30, 2013, the amount of commitments under office and equipment lease agreements is consistent with the levels at December 31, 2012, as disclosed in the Company's Annual Report on Form 10-K, approximating $66.7 million in the aggregate, and containing various expiration dates through 2024.

Contingencies

From time to time, the Company may be a plaintiff or defendant in a pending or threatened legal proceeding arising in the normal course of its business. While the outcome and impact of currently pending legal proceedings cannot be determined, the Company's management and legal counsel believe that the resolution of these proceedings through settlement or adverse judgment will not have a material effect on the Company's unaudited condensed consolidated operating results, financial position or cash flows.

11. PREFERRED STOCK AND STOCKHOLDERS' EQUITY

Preferred Stock and Non-Cash Preferred Stock Dividend

On February 29, 2012 (the Commitment Date), the Company entered into definitive agreements with a group of certain institutional and selected other accredited investors (collectively, the investors) to sell, in a private offering, 4,444.4511 shares of 8% Automatically Convertible Preferred Stock, par value $0.0001 per share (the Preferred Stock), each share of which was convertible into 10,000 shares of common stock. Also on February 29, 2012, the Company received an executed written consent (the Consent) in lieu of a stockholders' meeting authorizing and approving the conversion of the Preferred Stock into common stock. On March 2, 2012, the Company filed a Certificate of Designation, Preferences, Rights and Limitations of the Preferred Stock (the Certificate of Designation) with the Delaware Secretary of State which stated the conversion was to occur on the twentieth day after the mailing of a definitive information statement to stockholders. On March 5, 2012, the Company issued the Preferred Stock to the investors at $90,000 per share. Gross proceeds from the offering were approximately $400.0 million, or $9.00 per share of common stock, before offering expenses. The Company incurred placement agent fees of $14.0 million and associated expenses of approximately $0.5 million in connection with this offering. On March 28, 2012, the Company mailed a definitive information statement to its common stockholders notifying them that Halcón's majority stockholder had consented to the issuance of common stock, par value $0.0001, upon the conversion of the Preferred Stock. The Preferred Stock automatically converted into 44.4 million shares of common stock on April 17, 2012 in accordance with the terms of the Certificate of Designation. No cash dividends were paid on the Preferred Stock since pursuant to the terms of the Certificate of Designation of the Preferred Stock, conversion occurred prior to May 31, 2012. On November 30, 2012, the Company filed

HALCÓN RESOURCES CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. PREFERRED STOCK AND STOCKHOLDERS' EQUITY (Continued)

a Certificate of Elimination with the Delaware Secretary of State eliminating all provisions of the Certificate of Designation of the Preferred Stock.

In accordance with ASC 470, *Debt* (ASC 470), the Company determined that the conversion feature in the Preferred Stock represented a beneficial conversion feature. The fair value of the common stock of $10.99 per share on the Commitment Date was greater than the conversion price of $9.00 per share of common stock, representing a beneficial conversion feature of $1.99 per share of common stock, or $88.4 million in aggregate. Under ASC 470, $88.4 million (the intrinsic value of the beneficial conversion feature) of the proceeds received from the issuance of the Preferred Stock was allocated to additional paid-in capital, creating a discount on the Preferred Stock (the Discount). The Discount resulting from the allocation of value to the beneficial conversion feature was required to be amortized on a non-cash basis over the approximate 71-month period between the issuance date and the required redemption date of February 9, 2018, or fully amortized upon an accelerated date of redemption or conversion, and recorded as a preferred dividend. As a result, approximately $1.1 million of the Discount was amortized and a non-cash preferred dividend was recorded in the first quarter of 2012 and due to the conversion date occurring on April 17, 2012, the remaining $87.3 million of Discount amortization was accelerated to the conversion date and was fully amortized in the second quarter of 2012 as per the guidance of ASC 470. The Discount amortization is reflected as non-cash preferred dividend in the unaudited condensed consolidated statements of operations. In accordance with the guidance in ASC 480, the preferred dividend was charged against additional paid-in capital since no retained earnings were available.

On December 6, 2012, the Company completed the Williston Basin Acquisition for a total adjusted purchase price of approximately $1.5 billion, consisting of approximately $785.8 million in cash and approximately $695.2 million in newly issued shares of Halcón preferred stock that automatically converted into 108.8 million shares of Halcón common stock (equivalent to a conversion price of approximately $7.45 per share of Halcón common stock), following stockholder approval on January 17, 2013 of such conversion and an amendment to Halcón's certificate of incorporation to increase the number of shares of common stock that Halcón is authorized to issue. The shares of preferred stock were issued to the Petro-Hunt Parties in a private placement pursuant to the exemptions from registration under Section 4(2) of the Securities Act of 1933, as amended.

On January 17, 2013, the Company received the results from the special stockholders' meeting authorizing and approving the issuance of 108.8 million shares of common stock upon the conversion of the convertible preferred stock issued to the Petro-Hunt Parties. Following the approval by the stockholders, on January 18, 2013, each outstanding share of the Company's preferred stock converted into 10,000 shares of its common stock at an effective conversion price of approximately $7.45 per share. No proceeds were received by the Company upon conversion of the preferred stock. No cash dividends were paid on the preferred stock since pursuant to the terms of the Certificate of Designation of the preferred stock, conversion occurred prior to April 6, 2013. On June 13, 2013, the Company filed a Certificate of Elimination with the Delaware Secretary of State eliminating all provisions of the Certificate of Designation.

5.75% Series A Convertible Perpetual Preferred Stock

On June 18, 2013, the Company completed its offering of 345,000 shares of its 5.75% Series A Convertible Perpetual Preferred Stock (the Series A Preferred Stock) at a public offering price of

HALCÓN RESOURCES CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. PREFERRED STOCK AND STOCKHOLDERS' EQUITY (Continued)

$1,000 per share (the Liquidation Preference). The Company filed a Certificate of Designations, Preferences, Rights and Limitations of 5.75% Series A Convertible Preferred Stock on June 17, 2013 (the Series A Designation). The net proceeds to the Company from the offering of the Series A Preferred Stock were approximately $335.5 million, after deducting the underwriting discount and offering expenses. The Company used the net proceeds from the offering to repay a portion of the outstanding borrowings under its Senior Credit Agreement.

Holders of the Series A Preferred Stock are entitled to receive, when, as and if declared by the Company's Board of Directors, cumulative dividends at the rate of 5.75% per annum (the dividend rate) on the Liquidation Preference per share of the Series A Preferred Stock, payable quarterly in arrears on each dividend payment date. Dividends may be paid in cash or, where freely transferable by any non-affiliate recipient thereof, in common stock of the Company or a combination thereof, and are payable on March 1, June 1, September 1 and December 1 of each year, commencing on September 1, 2013. As of June 30, 2013, cumulative, undeclared dividends on the Series A Preferred Stock amounted to approximately $0.7 million.

The Series A Preferred Stock has no maturity date, is not redeemable by the Company at any time, and will remain outstanding unless converted by the holders or mandatorily converted by the Company as described below.

Each share of Series A Preferred Stock is convertible, at the holder's option at any time, initially into approximately 162.4431 shares of common stock of the Company (which is equivalent to an initial conversion price of approximately $6.16 per share), subject to specified adjustments as set forth in the Series A Designation. Based on the initial conversion rate, approximately 56.0 million shares of common stock of the Company would be issuable upon conversion of all the shares of Series A Preferred Stock.

On or after June 6, 2018, the Company may, at its option, give notice of its election to cause all outstanding shares of the Series A Preferred Stock to be automatically converted into shares of common stock of the Company at the conversion rate (as defined in the Preliminary Prospectus Supplement), if the closing sale price of the Company's common stock equals or exceeds 150% of the conversion price for at least 20 trading days in a period of 30 consecutive trading days.

If the Company undergoes a fundamental change (as defined in the Preliminary Prospectus Supplement) and a holder converts its shares of the Series A Preferred Stock at any time beginning at the opening of business on the trading day immediately following the effective date of such fundamental change and ending at the close of business on the 30th trading day immediately following such effective date, the holder will receive, for each share of the Series A Preferred Stock surrendered for conversion, a number of shares of common stock of the Company equal to the greater of: (1) the sum of (i) the conversion rate and (ii) the make-whole premium, if any, as described in the Series A Designation; and (2) the conversion rate which will be increased to equal (i) the sum of the $1,000 liquidation preference plus all accumulated and unpaid dividends to, but excluding, the settlement date for such conversion, divided by (ii) the average of the closing sale prices of the Company's common stock for the five consecutive trading days ending on the third business day prior to such settlement date; provided that the prevailing conversion rate as adjusted pursuant to this will not exceed 292.3977 shares of common stock of the Company per share of the Series A Preferred Stock (subject to adjustment in the same manner as the conversion rate).

HALCÓN RESOURCES CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. PREFERRED STOCK AND STOCKHOLDERS' EQUITY (Continued)

Except as required by Delaware law, holders of the Series A Preferred Stock will have no voting rights unless dividends are in arrears and unpaid for six or more quarterly periods. Until such arrearage is paid in full, the holders (voting as a single class with the holders of any other preferred shares having similar voting rights) will be entitled to elect two additional directors and the number of directors on the Company's Board of Directors will increase by that same number.

Common Stock

On February 8, 2012 pursuant to the closing of the Recapitalization described in Note 2, "*Recapitalization*," the Company issued 73.3 million shares of the Company's common stock for a purchase price of $275.0 million. Costs incurred of $4.0 million were netted against the proceeds of the common stock and recorded accordingly. In addition, the Company amended its certificate of incorporation to increase the Company's authorized shares of common stock from 33.3 million shares to 336.7 million shares.

In early August 2012, in connection with the Merger and the East Texas Acquisition, the Company issued 51.3 million and 20.8 million shares of common stock, respectively. The shares were issued at closing of the transactions as a portion of the consideration of the purchase price. See Note 4, "*Acquisitions*," for additional discussion on the issuance of common stock in connection with these transactions.

On December 6, 2012, the Company completed the private placement of 41.9 million shares of common stock, par value $0.0001 per share, to CPP Investment Board PMI-2 Inc. (CPPIB), for gross proceeds of approximately $300.0 million, or $7.16 per share of common stock (the CPPIB Transaction). The net proceeds to the Company were $294.0 million following the payment of a $6.0 million capital commitment payment to CPPIB upon closing of the transaction. The shares of Halcón common stock were issued to CPPIB in a private placement pursuant to the exemptions from registration provided under Section 4(2) of the Securities Act.

On January 17, 2013, with stockholder approval, the Company filed a Certificate of Amendment of the Amended and Restated Certificate of Incorporation with the Delaware Secretary of State to increase its authorized common stock by approximately 333.3 million shares for a total of 670.0 million authorized shares of common stock.

Warrants

In February 2012, in conjunction with the issuance of the 2017 Notes, the Company issued the February 2012 Warrants to purchase 36.7 million shares of the Company's common stock at an exercise price of $4.50 per share of common stock pursuant to the Recapitalization described in Note 2, "*Recapitalization.*" The Company allocated $43.6 million to the February 2012 Warrants which is reflected in additional paid-in capital in stockholders' equity, net of $0.6 million in issuance costs. The February 2012 Warrants entitle the holders to exercise the warrants in whole or in part at any time prior to the expiration date of February 8, 2017.

In August 2012, as part of the Merger, the Company assumed outstanding GeoResources stock warrants. At the date of the Merger 0.6 million warrants were outstanding and converted to 1.2 million Halcón warrants (the August 2012 Warrants). Each GeoResources warrant was converted into an August 2012 Warrant to acquire one share of Halcón common stock (Share Portion) at an exercise

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. PREFERRED STOCK AND STOCKHOLDERS' EQUITY (Continued)

price of $8.40 per share of common stock and the right to receive $20 in cash per equivalent assumed share (Cash Portion) at an exercise price of $0.82 per $1.00 received. The August 2012 Warrants contain substantially the same terms of the original GeoResources warrants with adjustments to the exercise price and addition of the Cash Portion to reflect the impact of the consideration per share from the Merger. These adjustments convert the terms to fundamentally equal what the warrant holders would have received had the warrants been exercised immediately prior to the close of the Merger. Under the terms of the August 2012 Warrants, the warrant holder must exercise the Share Portion and the Cash Portion in tandem. The August 2012 Warrants expired on June 9, 2013. The August 2012 Warrants were reflected as a current liability in the unaudited condensed consolidated balance sheets at December 31, 2012 and were recorded at fair value. During the three months ended June 30, 2013, the Company recorded a gain of $1.6 million for the expiration of the warrants. Changes in fair value and the gain upon expiration were recognized in "*Interest expense and other*" in the unaudited condensed consolidated statements of operations.

Incentive Plan

On May 8, 2006, the Company's stockholders first approved its 2006 Long-Term Incentive Plan (the Plan). The Company reserved a maximum of 0.8 million shares of its common stock for issuances under the Plan. On May 8, 2008, the Plan was amended to increase the maximum authorized number of shares to be issued under the Plan from 0.8 million to 2.0 million. On May 3, 2010, the Plan was amended to increase the maximum authorized number of shares to be issued under the Plan from 2.0 million to 2.5 million. On February 8, 2012, as part of the Recapitalization described in Note 2, "*Recapitalization*," the Plan was amended to increase the maximum authorized number of shares to be issued under the Plan from 2.5 million to 3.7 million. On May 17, 2012, shareholders approved an amendment and restatement of the Plan to (i) increase the maximum number of shares to be issued under the Plan from 3.7 million to 11.5 million; (ii) extend the effectiveness of the Plan for ten years from the date of approval; and (iii) amend various other provisions of the Plan. On May 23, 2013, shareholders approved an increase in authorized shares under the Plan from 11.5 million to 41.5 million. As of June 30, 2013 and December 31, 2012, a maximum of 25.5 million and 4.4 million shares of common stock, respectively, remained reserved for issuance under the Plan.

The Company accounts for share-based payment accruals under authoritative guidance on stock compensation, as set forth in ASC Topic 718. The guidance requires all share-based payments to employees and directors, including grants of stock options and restricted stock, to be recognized in the financial statements based on their fair values.

For the three and six months ended June 30, 2013, the Company recognized $4.6 million and $7.0 million, respectively, of share-based compensation expense as a component of "*General and administrative*" on the unaudited condensed consolidated statements of operations. For the three and six months ended June 30, 2012, the Company recognized $0.5 million and $4.6 million, respectively, of share-based compensation expense.

Stock Options

During the six months ended June 30, 2013, the Company granted stock options under the Plan covering 6.1 million shares of common stock to employees of the Company. The stock options have exercise prices ranging from $5.21 to $8.23 with a weighted average exercise price of $7.10. These

HALCÓN RESOURCES CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. PREFERRED STOCK AND STOCKHOLDERS' EQUITY (Continued)

awards typically vest over a three year period at a rate of one-third on the annual anniversary date of the grant and expire ten years from the grant date. At June 30, 2013, the Company had $19.5 million of unrecognized compensation expense related to non-vested stock options to be recognized over a weighted-average period of 1.5 years.

During the six months ended June 30, 2012, the Company granted stock options covering approximately 1.3 million shares of common stock to employees of the Company. The stock options have exercise prices ranging from $8.73 to $11.55 with a weighted average price of $10.11. These awards vest over a three year period at a rate of one-third on the annual anniversary date of the grant and expire ten years from the grant date. At June 30, 2012, the Company had $4.8 million of unrecognized compensation expense related to non-vested stock options to be recognized over a weighted-average period of 1.8 years.

Restricted Stock

During the six months ended June 30, 2013, the Company granted 3.2 million shares of restricted stock under the Plan to directors and employees of the Company. These restricted shares were granted at prices ranging from $5.15 to $7.65 with a weighted average price of $6.92. Employee shares vest over a three year period at a rate of one-third on the annual anniversary date of the grant, and the non-employee directors' shares vest six-months from the date of grant. At June 30, 2013, the Company had $18.1 million of unrecognized compensation expense related to non-vested restricted stock awards to be recognized over a weighted-average period of 1.5 years.

During the six months ended June 30, 2012, the Company granted 0.2 million shares of restricted stock under the Plan to directors and employees of the Company. These restricted shares were granted at a price $10.13. Employee shares vest over a three year period at a rate of one-third on the annual anniversary date of the grant, and the non-employee directors' shares vest six-months from the date of grant. At June 30, 2012, the Company had $2.0 million of unrecognized compensation expense related to non-vested restricted stock awards to be recognized over a weighted-average period of 2.0 years.

During the six months ended June 30, 2012, the Company incurred compensation expense of $2.6 million primarily from the accelerated vesting of all unvested employee restricted stock shares due to the change in control in the Company resulting from the Recapitalization as described in Note 2, *"Recapitalization."*

Stock Appreciation Rights

During February 2012, the Company accelerated vesting and exercise of all unvested stock appreciation rights under the Plan (SARs) that were granted in May 2011, due to the change in control of the Company resulting from the Recapitalization described in Note 2, *"Recapitalization."* The Company settled the SARs in cash, resulting in $2.2 million of share-based compensation expense recognized for the six months ended June 30, 2012. The realized compensation expense was partially offset by the reversal of $0.8 million of unrealized losses recorded at December 31, 2011.

Treasury Stock

As discussed above, during the six months ended June 30, 2013, the Company granted 3.2 million shares of restricted stock under the Plan to directors and employees of the Company of which

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HALCÓN RESOURCES CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. PREFERRED STOCK AND STOCKHOLDERS' EQUITY (Continued)

1.2 million shares were issued out of treasury stock. In addition, the Company retired 0.4 million shares from treasury stock representing shares that were repurchased for taxes tendered upon vesting of stock based compensation awards in prior years. As of June 30, 2013, the Company had no issued shares held in treasury.

12. INCOME TAXES

Under guidance contained in Topic 740 of the ASC, deferred taxes are determined by applying the provisions of enacted tax laws and rates for the jurisdictions in which the Company operates to the estimated future tax effects of the differences between the tax basis of assets and liabilities and their reported amounts in the Company's financial statements. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that the related tax benefits will not be realized.

The Company estimates its annual effective income tax rate in recording its quarterly provision for income taxes in the various jurisdictions in which the Company operates. Statutory tax rate changes and other significant or unusual items are recognized as discrete items in the quarter in which they occur. At June 30, 2013 and December 31, 2012, the Company analyzed and made no adjustment to the valuation allowance.

As of June 30, 2013, the Company has calculated an estimated annual tax rate of 38.3%. The estimated annual rate differs from the statutory federal income tax rate primarily due to the estimate of state income taxes for the period and nondeductible interest expense on the 2017 Note issued as part of the Recapitalization in February 2012. Based on the estimated effective annual tax rate, the Company recorded a tax provision of $26.4 million on pre-tax income of $69.0 million for the six months ended June 30, 2013. For the six months ended June 30, 2012, the Company recorded a tax provision of $0.2 million on a pre-tax loss of $25.5 million. The effective tax rate for the six months ending June 30, 2013 was 38.3% compared to 0.8% for the six months ending June 30, 2012. The change in effective tax rate is primarily due to the increase in pre-tax income in the current year and the impact of federal income tax limitations on the deductibility of interest expense on the 2017 Note issued as part of the Recapitalization in February 2012.

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HALCÓN RESOURCES CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. EARNINGS PER COMMON SHARE

The following represents the calculation of earnings (loss) per share (in thousands, except per share amounts):

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(In thousands, except per share amounts)			
Basic:				
Net income (loss) available to common stockholders	$ 36,372	$ (79,684)	$ 41,837	$ (114,108)
Weighted average basic number of common shares outstanding	366,712	136,066	356,482	102,441
Basic net income (loss) per share of common stock	$ 0.10	$ (0.59)	$ 0.12	$ (1.11)
Diluted:				
Net income (loss) available to common stockholders	$ 36,372	$ (79,684)	$ 41,837	$ (114,108)
Interest on convertible debt, net	974		1,974	
Net income (loss) available to common stockholders after assumed conversions	$ 37,346	$ (79,684)	$ 43,811	$ (114,108)
Weighted average basic number of common shares outstanding	366,712	136,066	356,482	102,441
Common stock equivalent shares representing shares issuable upon exercise of stock options	Anti-dilutive	Anti-dilutive	Anti-dilutive	Anti-dilutive
Common stock equivalent shares representing shares issuable upon exercise of Febuary 2012 Warrants	9,954	Anti-dilutive	12,183	Anti-dilutive
Common stock equivalent shares representing shares issuable upon exercise of August 2012 Warrants	Anti-dilutive		Anti-dilutive	
Common stock equivalent shares representing shares included upon vesting of restricted shares	108	Anti-dilutive	682	Anti-dilutive
Common stock equivalent shares representing shares issuable upon conversion of 2017 Notes	64,371	Anti-dilutive	32,185	Anti-dilutive
Common stock equivalent shares representing shares issuable upon conversion of preferred stock			10,880	Anti-dilutive
Common stock equivalent shares representing shares issuable upon conversion of Series A Preferred Stock	Anti-dilutive		Anti-dilutive	
Weighted average diluted number of common shares outstanding	441,145	136,066	412,412	102,441
Diluted net income (loss) per share of common stock	$ 0.08	$ (0.59)	$ 0.11	$ (1.11)

Common stock equivalents, including stock options, warrants, restricted shares, convertible debt, and preferred stock, totaling 17.1 million and 43.9 million shares for the three and six months ended

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HALCÓN RESOURCES CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. EARNINGS PER COMMON SHARE (Continued)

June 30, 2013, respectively, were not included in the computation of diluted earnings per share of common stock because the effect would have been anti-dilutive. Common stock equivalents of stock options, preferred stock, warrants and the 2017 Note totaling 89.4 million and 75.4 million shares for the three and six months ended June 30, 2012, respectively, were not included in the computations of diluted earnings per share of common stock because the effect would have been anti-dilutive due to the net losses.

14. ADDITIONAL FINANCIAL STATEMENT INFORMATION

Certain balance sheet amounts are comprised of the following (in thousands):

	June 30, 2013	December 31, 2012
	(In thousands)	
Accounts receivable:		
Oil, natural gas and natural gas liquids revenues	$ 126,193	$ 143,794
Joint interest accounts	133,334	113,671
Affiliated partnerships	386	475
Other	4,303	4,869
	$ 264,216	$ 262,809
Prepaids and other:		
Prepaids	$ 6,712	$ 3,690
Other	6,256	3,001
	$ 12,968	$ 6,691
Other noncurrent assets:		
Deposits for acquisitions of oil and natural gas properties	$ 36,855	$
Other	277	934
	$ 37,132	$ 934
Accounts payable and accrued liabilities:		
Trade payables	$ 127,324	$ 147,679
Accrued oil and natural gas capital costs	358,973	282,245
Revenues and royalties payable	133,736	91,761
Accrued interest expense	52,164	45,201
Accrued income taxes payable	4	130
Accrued employee compensation	13,328	12,321
Drilling advances from partners	20,205	8,840
Accounts payable to affiliated partnerships	83	822
Other		1,552
	$ 705,817	$ 590,551

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HALCÓN RESOURCES CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. SUBSEQUENT EVENT

On July 19, 2013, the Company completed the sale of its interest in Eagle Ford assets in Fayette and Gonzales Counties, Texas, previously acquired as part of the Merger, to private buyers for estimated proceeds of approximately $144 million, before post-closing adjustments. The transaction had an effective date of January 1, 2013. Proceeds from the sale will be recorded as a reduction to the carrying value of the Company's full cost pool with no gain or loss recorded. Upon the closing of this transaction, the borrowing base under the Senior Credit Agreement was reduced from $850.0 million to $810.0 million.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist in understanding our results of operations for the three and six months ended June 30, 2013 and 2012 and should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q and with the consolidated financial statements, notes and management's discussion and analysis included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Statements in this discussion may be forward-looking. These forward-looking statements involve risks and uncertainties, including those discussed below, which could cause actual results to differ from those expressed.

Overview

We are an independent energy company focused on the acquisition, production, exploration and development of onshore liquids-rich oil and natural gas assets in the United States. We were incorporated in Delaware on February 5, 2004 and were recapitalized on February 8, 2012. Historically, our producing properties have been located in basins with long histories of oil and natural gas operations. During 2012, we focused our efforts on the acquisition of unevaluated leasehold and producing properties in selected prospect areas. We now have an extensive drilling inventory in multiple basins that we believe allows for multiple years of profitable production growth and provides us with broad flexibility to direct our capital resources to projects with the greatest potential returns.

Our oil and natural gas assets consist of a combination of undeveloped acreage positions in unconventional liquids-rich basins/fields and mature liquids-weighted reserves and production in more conventional basins/fields. We have mature oil and natural gas reserves located primarily in Texas, North Dakota, Louisiana, Oklahoma and Montana. We have acquired acreage, and may acquire additional acreage, in the Bakken / Three Forks formations in North Dakota and Montana, the Eagle Ford formation in East Texas, the Utica / Point Pleasant formations in Ohio and Pennsylvania, and the Woodbine formation in East Texas.

Our average daily oil and natural gas production increased 593% in the first six months of 2013 compared to the same period in the prior year. During the first six months of 2013, we averaged 27,602 barrels of oil equivalent (Boe) per day compared to average daily production of 3,984 Boe per day during the first six months of 2012. The increase in production compared to the prior year period was driven primarily by the acquisitions of GeoResources, the East Texas Assets and the Williston Basin Assets. The acquisitions of GeoResources, the East Texas Assets and the Williston Basin Assets combined to contribute approximately 23,600 Boe per day of the increase. During the first six months of 2013, we participated in the drilling of 159 gross (68.3 net) wells of which 157 gross (66.3 net) wells were completed and capable of production, and 2 gross (2.0 net) wells were dry holes.

Our 2013 budget for drilling and completion capital expenditures has been increased from approximately $1.2 billion to approximately $1.4 billion. While this amount represents the vast majority of our expected capital expenditures in 2013, we have and will continue to incur additional capital expenditures associated with ongoing leasing efforts, transportation, infrastructure and seismic and other expenditures. Our drilling and completion budget for 2013 is based on our current view of market conditions and current business plans, and is subject to change.

Recent Developments

Issuance of 5.75% Series A Convertible Perpetual Preferred Stock

On June 18, 2013, we completed our offering of 345,000 shares of 5.75% Series A Convertible Perpetual Preferred Stock (the Series A Preferred Stock) at a public offering price of $1,000 per share.

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The net proceeds to us from the offering of the Series A Preferred Stock were approximately $335.5 million, after deducting the underwriting discount and offering expenses. We used the net proceeds from the offering to repay a portion of the outstanding borrowings under our Senior Credit Agreement. Holders of the Series A Preferred Stock are entitled to receive, when, as and if declared by our Board of Directors, cumulative dividends at the rate of 5.75% per annum (the dividend rate) on the $1,000 liquidation preference per share of the Series A Preferred Stock, payable quarterly in arrears on each dividend payment date. Dividends may be paid in cash or, where freely transferable by any non-affiliate recipient thereof, in shares of common stock or a combination thereof, and are payable on March 1, June 1, September 1 and December 1 of each year, commencing on September 1, 2013. See Item 1. *Condensed Consolidated Financial Statements (Unaudited)* Note 11, *"Preferred Stock and Stockholders' Equity"* for additional information on the Series A Preferred Stock.

Amendments to the Senior Credit Agreement and Borrowing Base

Upon the closing of the Eagle Ford divestiture on July 19, 2013, the borrowing base under the Senior Credit Agreement was reduced from $850.0 million to $810.0 million.

On June 11, 2013, we entered into the Fifth Amendment to the Senior Credit Agreement (the Fifth Amendment). The Fifth Amendment provides, among other things, for us to pay cash dividends to holders of our preferred capital stock.

On May 8, 2013, we entered into the Fourth Amendment to our Senior Credit Agreement (the Fourth Amendment). The Fourth Amendment provides for EBITDA (as defined in the Credit Facility) to be annualized for the balance of calendar year 2013 for purposes of measuring compliance with the interest coverage test. Specifically, (i) for the fiscal quarter ended June 30, 2013, the Interest Coverage Ratio shall be calculated by utilizing EBITDA for the three month period then ended multiplied by 4; (ii) for the fiscal quarter ended September 30, 2013, the Interest Coverage Ratio shall be calculated by utilizing EBITDA for the six month period then ended multiplied by 2; and (iii) for the fiscal quarter ended December 31, 2013, the Interest Coverage Ratio shall be calculated by utilizing EBITDA for the nine month period then ended multiplied by 4/3.

On April 26, 2013, we entered into the Third Amendment to our Senior Credit Agreement (the Third Amendment) by and among us, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders signatory thereto, which amends the Senior Credit Agreement in order to provide, among other things, additional flexibility under certain affirmative and negative covenants.

On January 25, 2013, we entered into the Second Amendment to our Senior Credit Agreement (the Second Amendment) by and among us, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders signatory thereto. The Second Amendment amends the Senior Credit Agreement with respect to our ability to enter into certain commodity hedging agreements.

See Item 1. *Condensed Consolidated Financial Statements (Unaudited)* Note 6,*"Long-Term Debt"* for additional information on the amendments to our Senior Credit Agreement.

Issuance of Additional 2021 Notes

On January 14, 2013, we issued an additional $600 million aggregate principal amount of our 8.875% senior notes due 2021 at a price to the initial purchasers of 105% of par. The net proceeds from the sale of the additional 2021 Notes of approximately $619.5 million (after the initial purchasers' premiums, commissions and offering expenses) were used to repay all of the outstanding borrowings under our Senior Credit Agreement and for general corporate purposes, including funding a portion of our 2013 capital expenditures program. These notes were issued as "additional notes" under the indenture governing our 2021 Notes and pursuant to which we had previously issued $750 million aggregate principal amount of 2021 Notes in November 2012, and under the indenture are treated as a single series with substantially identical terms as the 2021 Notes previously issued. See Item 1. *Condensed Consolidated Financial Statements (Unaudited)* Note 6,*"Long-Term Debt"* for additional information on the 2021 Notes.

Capital Resources and Liquidity

During the first half of 2013, we shifted the focus of our capital program from acquiring leasehold and producing properties to drilling and completion activities. We are currently focused on developing our core areas which include the Bakken / Three Forks formations in North Dakota, the Eagle Ford formation in East Texas, Utica / Point Pleasant formations in Ohio and Pennsylvania, and the Woodbine formation in East Texas. In addition to our ongoing drilling and completion activities we continue to acquire leasehold in our core areas and select other exploratory areas we believe are prospective for oil and liquids-rich hydrocarbons. During the first six months of 2013, we invested $1.0 billion in oil and natural gas capital expenditures.

Our near-term capital spending requirements are expected to be funded with cash flows from operations, proceeds from potential non-core asset dispositions, proceeds from potential capital market transactions and borrowings under our Senior Credit Agreement, which has a current borrowing base of $810.0 million. Our borrowing base is redetermined on a semi-annual basis (with us and the lenders each having the right to one interim unscheduled redetermination between any two consecutive semi-annual redeterminations) and adjusted based on our oil and natural gas properties, reserves, other indebtedness and other relevant factors. Our ability to utilize the full amount of our borrowing capacity is influenced by a variety of factors, including redeterminations of our borrowing base, and covenants under our Senior Credit Agreement and our senior unsecured debt indentures. Our Senior Credit Agreement contains customary financial and other covenants, including minimum working capital levels (the ratio of current assets plus the unused commitment under the Senior Credit Agreement to current liabilities) of not less than 1.0 to 1.0 and minimum coverage of interest expenses (as defined in the Senior Credit Agreement) of not less than 2.5 to 1.0. We are subject to additional covenants limiting dividends and other restricted payments, transactions with affiliates, incurrence of debt, changes of control, asset sales, and liens on properties. Additionally, the indentures governing our senior unsecured debt contain covenants limiting our ability to incur additional indebtedness, including borrowings under our Senior Credit Agreement, unless we meet one of two alternative tests. The first test, the fixed charge coverage ratio test, applies to all indebtedness and requires that after giving effect to the incurrence of additional debt the ratio of our adjusted consolidated EBITDA (as defined in our indentures) to our adjusted consolidated interest expense over the trailing four fiscal quarters will be at least 2.0 to 1.0. The second test allows us to incur additional indebtedness, beyond the limitations of the fixed charge coverage ratio test, as long as this additional debt is incurred under Credit Facilities (as defined in our indentures) and the amount of such additional indebtedness is not more than the greater of a fixed sum of $750 million or 30% of our adjusted consolidated net tangible assets (as defined in our indentures), which is determined primarily using discounted future net revenues from proved oil and natural gas reserves as of the end of each year. At June 30, 2013, we had $343.0 million of indebtedness outstanding, $1.2 million of letters of credit outstanding and $505.8 million of borrowing capacity available under the Senior Credit Agreement.

We strive to maintain financial flexibility while continuing our aggressive drilling plans and evaluating potential acquisitions, and will therefore likely continue to access capital markets (if on acceptable terms) as necessary to, among other things, maintain substantial borrowing capacity under our Senior Credit Agreement, facilitate drilling on our large undeveloped acreage position and permit us to selectively expand our acreage position and infrastructure projects while sustaining sufficient operating cash levels. Our ability to complete future debt and equity offerings and maintain or increase our borrowing base is subject to a number of variables, including our level of oil and natural gas

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production, reserves and commodity prices, as well as various economic and market conditions that have historically affected the oil and natural gas industry. If oil and natural gas prices decline for a sustained period of time, our ability to fund our capital expenditures, complete acquisitions, reduce debt, and meet our financial obligations may be materially impacted.

Our future capital resources and liquidity depend, in part, on our success in developing our leasehold interests, growing reserves and production and finding additional reserves. Cash is required to fund capital expenditures necessary to offset inherent declines in our production and proven reserves, which is typical in the capital-intensive oil and natural gas industry. We therefore continuously monitor our liquidity and the capital markets and evaluate our development plans in light of a variety of factors, including, but not limited to, our cash flows, capital resources, acquisition opportunities and drilling successes.

Cash Flow

Our primary source of cash for the six months ended June 30, 2013 and 2012 was from financing activities. In the first six months of 2013, proceeds from the additional 2021 Notes and the Series A Preferred Stock issuance were the primary drivers of the net cash provided by financing activities. The increase in cash received from operations, coupled with the cash from financing activities, were offset by cash used in investing activities to fund our drilling program and acquire additional leasehold interests. Operating cash flow fluctuations were substantially driven by the 593% increase in production volumes as compared to the six months ended June 30, 2012 and, to a lesser extent, higher commodity prices. Fluctuation in commodity prices and our overall cash flow may result in an increase or decrease in our future capital expenditures. Prices for oil and natural gas have historically been subject to seasonal fluctuations characterized by peak demand and higher prices in the winter heating season; however, the impact of other risks and uncertainties have influenced prices throughout recent years. See *Results of Operations* below for a review of the impact of prices and volumes on sales.

Net increase (decrease) in cash is summarized as follows (in thousands):

	Six Months Ended June 30,	
	2013	**2012**
	(In thousands)	
Cash flows provided by (used in) operating activities	$ 229,890	$ (2,708)
Cash flows provided by (used in) investing activities	(1,165,750)	(500,809)
Cash flows provided by (used in) financing activities	936,415	722,676
Net increase (decrease) in cash	$ 555	$ 219,159

Operating Activities. Net cash provided by operating activities for the six months ended June 30, 2013 was $229.9 million as compared to cash used in operating activities for the six months ended June 30, 2012 of $2.7 million.

The $229.9 million of operating cash flows primarily reflects the net income for the six months ended June 30, 2013 of $42.6 million coupled with significant non-cash items, namely $177.2 million of depletion, depreciation and accretion. Increased production from our recent acquisitions and developmental drilling activities drove a significant increase in revenues, as compared to the prior year period, which outpaced related production costs and higher general and administrative expenses pertaining to additional personnel and infrastructure in support of the rapidly expanding business base, resulting in $63.9 million of income from operations.

Investing Activities. The primary driver of cash used in investing activities is capital spending, specifically drilling and completions coupled with the acquisition of unevaluated leaseholds in our

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targeted areas. Net cash used in investing activities was approximately $1.2 billion and $500.8 million for the six months ended June 30, 2013 and 2012, respectively.

During the first six months of 2013, we incurred cash expenditures of $1.0 billion on oil and natural gas capital expenditures. We participated in the drilling of 159 gross (68.3 net) wells of which 157 gross (66.3 net) wells were completed and capable of production and two gross (2.0 net) wells were dry holes. We spent an additional $80.7 million on other operating property and equipment capital expenditures, of which $68.9 million pertained to pipelines and related infrastructure projects, and the remainder was spent on leasehold improvements, computers and software primarily in our corporate office in Houston, Texas.

During the first six months of 2012, we spent $468.2 million on oil and natural gas capital expenditures, primarily on the acquisition of unevaluated leasehold. We participated in the drilling of 15 gross (14.2 net) wells of which 14 gross (13.3 net) wells were completed as wells capable of production and one gross (0.9 net) well was a dry hole, and spent an additional $3.5 million on other operating property and equipment capital expenditures, primarily on leasehold improvements, computers and software in our corporate office in Houston, Texas. Proceeds from sales of oil and gas properties were $0.3 million. We also had funds held in escrow of approximately $29.4 million related to pending acquisitions.

Financing Activities. Net cash flows provided by financing activities were $936.4 million and $722.7 million for the six months ended June 30, 2013 and 2012, respectively. The primary drivers of cash provided by financing activities for the six months ended June 30, 2013, are proceeds of $619.5 million from the issuance of the additional 2021 Notes and $335.5 million, net of issuance costs, from the issuance of Series A Preferred Stock. The impact of our Senior Credit Agreement was substantially neutral to financing activities for the six months ended June 30, 2013 as additional borrowings were offset by repayments.

On June 18, 2013, we completed our offering of 345,000 shares of the Series A Preferred Stock at a public offering price of $1,000 per share. The net proceeds to us from the offering of the Series A Preferred Stock were approximately $335.5 million, after deducting the underwriting discount and offering expenses. We used the net proceeds from the offering to repay a portion of the outstanding borrowings under our Senior Credit Agreement.

On January 14, 2013, we completed the issuance of an additional $600 million aggregate principal amount of our 2021 Notes at a price to the initial purchasers of 105% of par. The net proceeds from the sale of the additional 2021 Notes were approximately $619.5 million (after deducting offering fees and expenses). The net proceeds from this offering were used to repay all of the then outstanding borrowings under our Senior Credit Agreement and for general corporate purposes, including funding a portion of our 2013 capital expenditures program.

During the first six months of 2012, as discussed in Item 1. *Condensed Consolidated Financial Statements (Unaudited)* Note 2, *"Recapitalization,"* HALRES recapitalized us with a $550.0 million investment structured as the purchase of $275.0 million in new common stock, a $275.0 million five-year 8.0% convertible note and warrants for the purchase of an additional 36.7 million shares of our common stock at an exercise price of $4.50 per share. The convertible note provided $231.4 million cash flow from borrowings and $43.6 million cash flow from warrants issued. Proceeds from the Recapitalization were used to repay the $208.0 million of borrowings under previous credit facilities. In addition, we received $400.0 million, subject to certain adjustments, from the private placement sale of convertible Preferred Stock during March 2012. In connection with the closing of the Recapitalization and the Preferred Stock, we incurred a total of $18.1 million in equity issuance costs during the six months ended June 30, 2012.

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All restricted stock awards were vested as a result of the change in control in February 2012. For the six months ended June 30, 2012, we repurchased $2.1 million in common stock from participants under our 2006 Long-Term Incentive Plan to net settle the related withholding tax liability.

Contractual Obligations

We lease corporate office space in Houston and Plano, Texas; Tulsa, Oklahoma; Denver, Colorado; and Williston, North Dakota as well as a number of other field office locations. Rent expense was approximately $4.4 million and $1.2 million for the six months ended June 30, 2013 and 2012, respectively. In addition, we have commitments for certain equipment under long-term operating lease agreements, namely drilling rigs as well as pipeline and well equipment, with various expiration dates through 2015. Early termination of the drilling rig commitments would result in termination penalties approximating $42.6 million, which would be in lieu of the remaining $68.9 million of drilling rig commitments as of June 30, 2013. As of June 30, 2013, the amount of commitments under office and equipment lease agreements is consistent with the levels at December 31, 2012 disclosed in our Annual Report on Form 10-K, approximating $66.7 million in the aggregate, and containing various expiration dates through 2024.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon the unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Preparation of these unaudited condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. There have been no material changes to our critical accounting policies from those described in our Annual Report on Form 10-K for the year ended December 31, 2012.

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Results of Operations

Three Months Ended June 30, 2013 and 2012

We reported net income of $37.1 million and $7.7 million for the three months ended June 30, 2013 and 2012, respectively. The following table summarizes key items of comparison and their related change for the periods indicated.

In thousands (except per unit and per Boe amounts)	Three Months Ended June 30, 2013	2012	Change
Net income (loss)	$ 37,088	$ 7,659	$ 29,429
Operating revenues:			
Oil	202,490	20,383	182,107
Natural gas	6,845	1,270	5,575
Natural gas liquids	4,254	1,653	2,601
Other	754	35	719
Operating expenses:			
Production:			
Lease operating	31,833	8,303	23,530
Workover and other	623	540	83
Taxes other than income	18,567	1,908	16,659
Gathering and other	2,802	60	2,742
Restructuring	(164)	903	(1,067)
General and administrative:			
General and administrative	28,886	12,362	16,524
Share-based compensation	4,640	529	4,111
Depletion, depreciation and accretion:			
Depletion Full cost	92,915	5,183	87,732
Depreciation Other	1,471	345	1,126
Accretion expense	929	428	501
Other income (expenses):			
Net gain (loss) on derivative contracts	34,100	13,671	20,429
Interest expense and other, net	(5,732)	(4,179)	(1,553)
Income tax (provision) benefit	(23,121)	5,387	(28,508)
Production:			
Oil MBbls	2,212	221	1,991
Natural Gas Mmcf	1,881	584	1,297
Natural gas liquids MBbls	129	38	91
Total MBoe*(1)*	2,654	356	2,298
Average daily production Boe*(1)*	29,165	3,912	25,253
Average price per unit*(2)*:			
Oil price Bbl	$ 91.54	$ 92.23	$ (0.69)
Natural gas price Mcf	3.64	2.17	1.47
Natural gas liquids price Bbl	32.98	43.50	(10.52)
Total per Boe*(1)*	80.48	65.47	15.01
Average cost per Boe:			
Production:			
Lease operating	$ 11.99	$ 23.32	$ (11.33)
Workover and other	0.23	1.52	(1.29)
Taxes other than income	7.00	5.36	1.64
Gathering and other	1.06	0.17	0.89
Restructuring	(0.06)	2.54	(2.60)
General and administrative:			
General and administrative	10.88	34.72	(23.84)
Share-based compensation	1.75	1.49	0.26
Depletion	35.01	14.56	20.45

(1)

Explanation of Responses:

Natural gas reserves are converted to oil reserves using a ratio of six Mcf to one Bbl of oil. This ratio does not assume price equivalency and, given price differentials, the price for a barrel of oil equivalent for natural gas may differ significantly from the price for a barrel of oil.

(2) Amounts exclude the impact of cash paid/received on settled contracts as we did not elect to apply hedge accounting.

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For the three months ended June 30, 2013, oil, natural gas and natural gas liquids revenues increased $190.3 million from the same period in 2012. The increase was primarily due to an increase in production volumes resulting from the Merger, the East Texas Acquisition and the Williston Basin Acquisition and the continued development within these areas, which collectively accounted for an increase of approximately 26,000 Boe per day in production and $196.1 million of incremental revenues. Realized average prices per Boe increased $15.01 to $80.48 per Boe.

Lease operating expenses increased $23.5 million for the three months ended June 30, 2013, primarily due to $24.0 million of costs incurred on our recently acquired assets and the increase in production within these areas as we continue to carry out our development plan. This increase was offset by a decrease on our existing properties. Lease operating expenses were $11.99 per Boe for the three months ended June 30, 2013, compared to $23.32 per Boe for the same period in 2012. The decrease per Boe is largely due to a lower rate per Boe on the recently acquired properties.

Workover expenses increased $0.1 million for the three months ended June 30, 2013 compared to the same period in 2012 primarily due to $0.5 million of expenses associated with our recently acquired assets and the increase in activity in these areas. This increase was partially offset by decreased workover expenses on our existing properties.

Taxes other than income increased $16.7 million for the three months ended June 30, 2013 as compared to the same period in 2012 primarily due to $16.0 million of taxes associated with our recently acquired properties and the increase in production within these areas as we continue to carry out our development plan. Most production taxes are based on realized prices at the wellhead. As revenues or volumes from oil and natural gas sales increase or decrease, production taxes on these sales also increase or decrease directly. On a per unit basis, taxes other than income were $7.00 per Boe and $5.36 per Boe for the three months ended June 30, 2013 and 2012, respectively.

Gathering and other expenses for the three months ended June 30, 2013 and 2012 were $2.8 million and $0.1 million, respectively. In 2013, approximately $1.0 million of these expenses were attributable to midstream infrastructure that we are developing in the Woodbine and Utica / Point Pleasant areas and approximately $1.8 million relates to gathering and other fees paid on our oil and natural gas production.

In March 2012, we announced our intention to close the Plano, Texas office and began the process of relocating key administrative functions to our corporate headquarters in Houston, Texas (the Restructuring). As part of the Restructuring, we offered certain severance and retention benefits to affected employees. As of May 2013, the requisite service period had ended and all severance and retention related payments had been made.

General and administrative expense for the three months ended June 30, 2013 increased $16.5 million to $28.9 million as compared to the same period in 2012. The increase in general and administrative expenses is attributable to increases in payroll and related employee benefit costs of $10.3 million, office related expenses of $1.7 million and professional fees of $4.5 million, in support of our expanding business base and increased corporate activities subsequent to the Recapitalization.

Share-based compensation expense for the three months ended June 30, 2013 was $4.6 million, an increase of $4.1 million compared to the same period in 2012. The increase in share-based compensation expense results from new awards to employees, as a result of our increase in employee headcount, and directors since the prior year period.

Depletion for oil and natural gas properties is calculated using the unit of production method, which depletes the capitalized costs of evaluated properties plus future development costs based on the ratio of production volume for the current period to total remaining reserve volume as of the beginning of the period for the evaluated properties. Depletion expense increased $87.7 million to $92.9 million for the three months ended June 30, 2013 compared to the same period in 2012, primarily due to a

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higher depletion rate per Boe and increased production. On a per unit basis, depletion expense was $35.01 per Boe for the three months ended June 30, 2013 compared to $14.56 per Boe for the three months ended June 30, 2012. The increase in depletion expense and the depletion rate per Boe is primarily due to the increase in production volumes and reserves as a result of the Merger, the East Texas Acquisition and the Williston Basin Acquisitions during the third and fourth quarters of 2012.

Accretion expense is a function of changes in the discounted asset retirement obligation liability from period to period. We recorded accretion expense of $0.9 million for the three months ended June 30, 2013, compared to $0.4 million for the same period in 2012.

We enter into derivative commodity instruments to economically hedge our exposure to price fluctuations on our anticipated oil and natural gas production. We have also, in the past, entered into interest rate swaps to mitigate exposure to market rate fluctuations by converting variable interest rates to fixed interest rates. Consistent with prior years, we have elected not to designate any positions as cash flow hedges for accounting purposes, and accordingly, we recorded the net change in the mark-to-market value of these derivative contracts in the unaudited condensed consolidated statements of operations. At June 30, 2013, we had a $20.6 million derivative asset, $9.3 million of which was classified as current, and we had a $5.2 million derivative liability, all of which was classified as current. We recorded a net derivative gain of $34.1 million ($34.5 million net unrealized gain and $0.4 million net realized loss on settled contracts and premium costs) for the three months ended June 30, 2013 compared to a net derivative gain of $13.7 million ($12.7 million net unrealized gain and $1.0 million net realized gain), in the same period in 2012.

Interest expense increased $1.6 million for the three months ended June 30, 2013 from the same period in 2012. Capitalized interest for the three months ended June 30, 2013 and 2012 was $53.5 million and $3.3 million, respectively. This increase in capitalized interest was driven by the $1.8 billion increase in our unevaluated properties since June 30, 2012. Interest expense subject to capitalization increased to $61.2 million in the three months ended June 30, 2013 from $7.5 million in the comparable prior year period. The increase in interest subject to capitalization is attributed to the 2020 Notes and the 2021 Notes, which were issued subsequent to June 30, 2012.

We recorded an income tax provision of $23.1 million for the three months ended June 30, 2013 due to our pre-tax income of $60.2 million compared to an income tax benefit of $5.4 million due to our pre-tax income of $2.3 million in the prior year. The effective tax rate for the three months ended June 30, 2013 is 38.3% compared to 237.0% for the three months ended June 30, 2012. The change in effective tax rate is primarily due to the increase in pre-tax income in the current period and the impact of federal income tax limitations on the deductibility of interest expense on the 2017 Note issued as part of the Recapitalization in February 2012.

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Six Months Ended June 30, 2013 and 2012

We reported net income of $42.6 million and a net loss $25.7 million for the six months ended June 30, 2013 and 2012, respectively. The following table summarizes key items of comparison and their related change for the periods indicated.

	Six Months Ended June 30,		
In thousands (except per unit and per Boe amounts)	**2013**	**2012**	**Change**
Net income (loss)	$ 42,553	$ (25,663)	$ 68,216
Operating revenues:			
Oil	383,317	43,380	339,937
Natural gas	12,514	2,957	9,557
Natural gas liquids	8,082	3,850	4,232
Other	1,284	71	1,213
Operating expenses:			
Production:			
Lease operating	57,137	15,916	41,221
Workover and other	2,247	1,261	986
Taxes other than income	36,003	3,834	32,169
Gathering and other	3,135	107	3,028
Restructuring	507	1,007	(500)
General and administrative:			
General and administrative	58,148	28,571	29,577
Share-based compensation	6,975	4,632	2,343
Depletion, depreciation and accretion:			
Depletion Full cost	172,806	10,545	162,261
Depreciation Other	2,542	561	1,981
Accretion expense	1,825	829	996
Other income (expenses):			
Net gain (loss) on derivative contracts	15,678	8,726	6,952
Interest expense and other, net	(10,582)	(17,176)	6,594
Income tax (provision) benefit	(26,415)	(208)	(26,207)
Production:			
Oil MBbls	4,143	447	3,696
Natural Gas Mmcf	3,692	1,199	2,493
Natural gas liquids MBbls	238	78	160
Total MBoe[(1)]	4,996	725	4,271
Average daily production Boe[(1)]	27,602	3,984	23,618
Average price per unit[(2)]:			
Oil price Bbl	$ 92.52	$ 97.05	$ (4.53)
Natural gas price Mcf	3.39	2.47	0.92
Natural gas liquids price Bbl	33.96	49.36	(15.40)
Total per Boe[(1)]	80.85	69.22	11.63
Average cost per Boe:			
Production:			
Lease operating	$ 11.44	$ 21.95	$ (10.51)
Workover and other	0.45	1.74	(1.29)
Taxes other than income	7.21	5.29	1.92
Gathering and other	0.63	0.15	0.48
Restructuring	0.10	1.39	(1.29)
General and administrative:			
General and administrative	11.64	39.41	(27.77)
Share-based compensation	1.40	6.39	(4.99)
Depletion	34.59	14.54	20.05

(1) Natural gas reserves are converted to oil reserves using a ratio of six Mcf to one Bbl of oil. This ratio does not assume price equivalency and, given price differentials, the price for a barrel of oil equivalent for natural gas may differ significantly from the price

for a barrel of oil.

(2) Amounts exclude the impact of cash paid/received on settled contracts as we did not elect to apply hedge accounting.

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For the six months ended June 30, 2013, oil, natural gas and natural gas liquids revenues increased $353.7 million from the same period in 2012. The increase was primarily due to an increase in production volumes resulting from the Merger, the East Texas Acquisition and the Williston Basin Acquisition and the continued development within these areas, which collectively accounted for an increase of approximately 23,600 Boe per day in production and $353.3 million of incremental revenues. Realized average prices per Boe increased $11.63 to $80.85 per Boe.

Lease operating expenses increased $41.2 million for the six months ended June 30, 2013, primarily due to $38.8 million of costs incurred on our recently acquired assets and the increase in production within these areas as we continue to carry out our development plan. The remaining increases are due to higher power costs, service costs and repairs. Lease operating expenses were $11.44 per Boe for the first six months of 2013 compared to $21.95 per Boe for the same period in 2012. The decrease per Boe is largely due to a lower rate per Boe on the recently acquired properties.

Workover expenses increased $1.0 million for the six months ended June 30, 2013 compared to the same period in 2012 primarily due to $1.8 million of expenses associated with our recently acquired assets, including the increase in activity as we continue to develop these areas, partially offset by decreased workover expenses on our existing properties.

Taxes other than income increased $32.2 million for the six months ended June 30, 2013 as compared to the same period in 2012 primarily due to $31.0 million of taxes associated with our recently acquired properties and the increase in production within these areas as we continue to carry out our development plan. Most production taxes are based on realized prices at the wellhead. As revenues or volumes from oil and natural gas sales increase or decrease, production taxes on these sales also increase or decrease directly. On a per unit basis, taxes other than income were $7.21 per Boe and $5.29 per Boe for the six months ended June 30, 2013 and 2012, respectively.

Gathering and other expenses for the six months ended June 30, 2013 and 2012 were $3.1 million and $0.1 million, respectively. In 2013, approximately $1.1 million of these expenses were attributable to midstream infrastructure that we are developing in the Woodbine and Utica / Point Pleasant areas and approximately $2.0 million relates to gathering and other fees paid on our oil and natural gas production.

In March 2012, we announced our intention to close the Plano, Texas office and began the process of relocating key administrative functions to our corporate headquarters in Houston, Texas (the Restructuring). As part of the Restructuring, we offered certain severance and retention benefits to affected employees. We incurred $0.5 million and $1.0 million in costs associated with the Restructuring, which is now complete, for the six months ended June 30, 2013 and 2012, respectively.

General and administrative expense for the six months ended June 30, 2013 increased $29.6 million to $58.1 million as compared to the same period in 2012. The increase in general and administrative expenses is attributable to increases in payroll and related employee benefit costs of $14.9 million, office related expenses of $7.6 million and professional fees of $7.0 million, in support of the expanding business base and increased corporate activities subsequent to the Recapitalization.

Share-based compensation expense for the six months ended June 30, 2013 was $7.0 million, an increase of $2.3 million compared to the same period in 2012. In 2012, we incurred approximately $4.3 million for the accelerated vesting of restricted stock awards and stock appreciation rights resulting from the change in control that occurred due to the Recapitalization in February 2012. The year over year increase, excluding these change in control payments, approximates $6.6 million, which is a reflection of the investment in personnel since the prior year.

Depletion for oil and natural gas properties is calculated using the unit of production method, which depletes the capitalized costs of evaluated properties plus future development costs based on the ratio of production volume for the current period to total remaining reserve volume as of the beginning

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of the period for the evaluated properties. Depletion expense increased $162.3 million to $172.8 million for the six months ended June 30, 2013 compared to the same period in 2012, primarily due to a higher depletion rate per Boe and increased production. On a per unit basis, depletion expense was $34.59 per Boe for the six months ended June 30, 2013 compared to $14.54 per Boe for the six months ended June 30, 2012. The increase in depletion expense and the depletion rate per Boe is primarily due to the increase in production volumes and reserves as a result of the Merger, the East Texas Acquisition and the Williston Basin Acquisitions during the third and fourth quarters of 2012.

Accretion expense is a function of changes in the discounted asset retirement obligation liability from period to period. We recorded accretion expense of $1.8 million for the six months ended June 30, 2013, compared to $0.8 million for the same period in 2012.

We enter into derivative commodity instruments to economically hedge our exposure to price fluctuations on our anticipated oil and natural gas production. We have also, in the past, entered into interest rate swaps to mitigate exposure to market rate fluctuations by converting variable interest rates to fixed interest rates. Consistent with prior years, we have elected not to designate any positions as cash flow hedges for accounting purposes, and accordingly, we recorded the net change in the mark-to-market value of these derivative contracts in the unaudited condensed consolidated statements of operations. At June 30, 2013, we had a $20.6 million derivative asset, $9.3 million of which was classified as current, and we had a $5.2 million derivative liability, all of which was classified as current. We recorded a net derivative gain of $15.7 million ($17.7 million net unrealized gain and $2.0 million net realized loss on settled contracts and premium costs) for the six months ended June 30, 2013 compared to a net derivative gain of $8.7 million ($7.7 million net unrealized gain and $1.0 million net realized gain), in the same period in 2012.

Interest expense decreased $6.6 million for the six months ended June 30, 2013 from the same period in 2012. Capitalized interest for the six months ended June 30, 2013 and 2012 was $106.4 million and $3.4 million, respectively. This increase in capitalized interest was driven by the $1.8 billion increase in our unevaluated properties since June 30, 2012. Interest expense subject to capitalization increased to $118.6 million in the six months ended June 30, 2013 from $20.7 million in the comparable prior year period. The increase in interest subject to capitalization is attributed to the 2020 Notes and the 2021 Notes, which were issued subsequent to June 30, 2012.

We recorded an income tax provision of $26.4 million for the six months ended June 30, 2013 due to our pre-tax income of $69.0 million compared to a tax provision of $0.2 million on a pre-tax loss of $25.5 million in the prior year. The effective tax rate for the six months ending June 30, 2013 was 38.3% compared to 0.8% for the six months ending June 30, 2012. The change in effective tax rate is primarily due to the increase in pre-tax income in the current year and the impact of federal income tax limitations on the deductibility of interest expense on the 2017 Note issued as part of the Recapitalization in February 2012.

Recently Issued Accounting Pronouncements

We discuss recently adopted and issued accounting standards in Item 1. *Condensed Consolidated Financial Statements (Unaudited)* Note 1, *"Financial Statement Presentation."*

Related Person Transaction

In the third quarter of 2013, we expect to close on the acquisition of certain oil and natural gas properties from an unaffiliated third party, which transaction may aggregate up to approximately $2 million. In connection therewith, we have agreed to pay a brokerage fee to Justin Elkouri, who located the selling party and assisted us in the acquisition. Justin Elkouri is not employed by us and provided services as an independent contractor in connection with the transaction. Depending on the amount of acreage ultimately acquired by us, he may receive a brokerage fee of up to approximately

$93,000 for these services. Justin Elkouri is the adult son of David S. Elkouri, our Executive Vice President and General Counsel. Mr. Elkouri has no financial interest in the transaction or in any fee paid to his son. The fee to be paid to Justin Elkouri is commensurate with brokerage fees we pay to unrelated third parties under similar circumstances, and the fee was reviewed and approved by our Audit Committee in accordance with our policies and procedures relating to transactions involving executives and members of their family.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Derivative Instruments and Hedging Activity

We are exposed to various risks including energy commodity price risk. When oil, natural gas, and natural gas liquids prices decline significantly our ability to finance our capital budget and operations may be adversely impacted. We expect energy prices to remain volatile and unpredictable, therefore we have designed a risk management policy which provides for the use of derivative instruments to provide partial protection against declines in oil and natural gas prices by reducing the risk of price volatility and the affect it could have on our operations. The types of derivative instruments that we typically utilize include costless collars, swaps, and put options. The total volumes which we hedge through the use of our derivative instruments varies from period to period, however, generally our objective is to hedge approximately 70% to 80% of our current and anticipated production for the next 18 to 24 months. Our hedge policies and objectives may change significantly as our operational profile changes and/or commodities prices change.

We are exposed to market risk on our open derivative contracts related to potential non-performance by our counterparties. It is our policy to enter into derivative contracts, including interest rate swaps, only with counterparties that are creditworthy financial institutions deemed by management as competent and competitive market makers. Each of the counterparties to our derivative contracts is a lender or an affiliate of a lender in our Senior Credit Agreement. We did not post collateral under any of these contracts as they are secured under the Senior Credit Agreement. Please refer to Item 1. *Condensed Consolidated Financial Statements (Unaudited)* Note 8,*"Derivative and Hedging Activities"* for additional information.

We have also been exposed to interest rate risk on our variable interest rate debt. If interest rates increase, our interest expense would increase and our available cash flow would decrease. Historically, we entered into interest rate swaps to reduce the exposure to market rate fluctuations by converting variable interest rates to fixed interest rates. At June 30, 2013, we did not have any open positions that converted our variable interest rate debt to fixed interest rates. We continue to monitor our risk exposure as we incur future indebtedness at variable interest rates and will look to continue our risk management policy as situations present themselves.

We account for our derivative activities under the provisions of ASC 815, *Derivatives and Hedging* (ASC 815). ASC 815 establishes accounting and reporting that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at fair value. Please refer to Item 1. *Condensed Consolidated Financial Statements (Unaudited)* Note 8,*"Derivative and Hedging Activities"* for additional information.

Fair Market Value of Financial Instruments

The estimated fair values for financial instruments under ASC 825, *Financial Instruments* (ASC 825) are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The estimated fair value of cash, accounts receivable and accounts payable approximates their carrying value due to their short-term nature. See Item 1. *Condensed Consolidated Financial Statements (Unaudited)* Note 7, "*Fair Value Measurements"* for additional information.

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Interest Rate Sensitivity

We are also exposed to market risk related to adverse changes in interest rates. Our interest rate risk exposure results primarily from fluctuations in short-term rates, which are LIBOR and ABR based and may result in reductions of earnings or cash flows due to increases in the interest rates we pay on these obligations.

At June 30, 2013, total long-term debt was $2.7 billion of which approximately 87% bears interest at a weighted average fixed interest rate of 9.0% per year. The remaining 13% of our total debt balance at June 30, 2013 bears interest at floating or market interest rates that, at our option, are tied to prime rate or LIBOR. Fluctuations in market interest rates will cause our annual interest costs to fluctuate. At June 30, 2013, the weighted average interest rate on our variable rate debt was 2.2% per year. If the balance of our variable rate debt at June 30, 2013 were to remain constant, a 10% change in market interest rates would impact our cash flow by approximately $0.2 million per quarter.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the design and operation of our disclosure controls and procedures (as defined in rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act) as of June 30, 2013. On the basis of this review, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures are designed, and are effective, to give reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

We did not have any change in our internal controls over financial reporting during the quarter ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be a plaintiff or defendant in a pending or threatened legal proceeding arising in the normal course of our business. While the outcome and impact of currently pending legal proceedings cannot be determined, our management and legal counsel believe that the resolution of these proceedings through settlement or adverse judgment will not have a material effect on our consolidated operating results, financial position or cash flows.

Item 1A. Risk Factors

There have been no changes to the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2012, except as described below.

We may have difficulty financing our planned capital expenditures which could adversely affect our growth.

We have experienced, and expect to continue to experience, substantial capital expenditure and working capital needs, primarily as a result of our drilling program. We intend to continue to selectively increase our acreage position, which would require capital in addition to the capital necessary to drill

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on our existing acreage. In addition, it is likely that we will acquire acreage in other areas that we believe are prospective for oil and natural gas production and expend capital to develop such acreage. We expect to use borrowings under our Senior Credit Agreement, proceeds from potential asset dispositions and proceeds from potential future capital markets transactions, if necessary, to fund capital expenditures that are in excess of our cash flow and cash on hand.

Our Senior Credit Agreement limits our borrowings to the lesser of the borrowing base and the total commitments. Our borrowing base is currently $810.0 million. Our borrowing base is determined semi-annually, and may also be redetermined periodically at the discretion of the banks. Lower oil and natural gas prices may result in a reduction in our borrowing base at the next redetermination. A reduction in our borrowing base could require us to repay any indebtedness in excess of the borrowing base. Additionally, the indentures governing our senior unsecured debt contain covenants limiting our ability to incur additional indebtedness, including borrowings under our Senior Credit Agreement, unless we meet one of two alternative tests. The first test applies to all indebtedness and requires that after giving effect to the incurrence of additional debt the ratio of our adjusted consolidated EBITDA (as defined in our indentures) to our adjusted consolidated interest expense over the trailing four fiscal quarters will be at least 2.0 to 1.0 under the most restrictive indenture. The second test applies only to borrowings under credit agreements, including indentures and our Senior Credit Agreement, that do not meet the first test and it limits these borrowings to the greater of a fixed sum of $750 million and 30% of our adjusted consolidated net tangible assets (as defined in all of our indentures), which is determined using discounted future net revenues from proved oil and natural gas reserves as of the end of each year. Currently, we are permitted to incur additional indebtedness under our indentures, but may be limited in the future. Lower oil and natural gas prices in the future could reduce our adjusted consolidated EBITDA, as well as our adjusted consolidated net tangible assets, and thus could reduce our ability to incur additional indebtedness.

Additionally, our ability to complete future equity offerings is limited by general market conditions. If we are not able to borrow sufficient amounts under our Senior Credit Agreement and/or are unable to raise sufficient capital to fund our capital expenditures, we may be required to curtail our drilling, development, land acquisition and other activities, which could result in a decrease in our production of oil and natural gas, forfeiture of leasehold interests if we are unable or unwilling to renew them, and could force us to sell some of our assets on an untimely or unfavorable basis, each of which could have a material adverse effect on our results and future operations.

We are subject to various contractual limitations that effect the discretion of our management in operating our business.

The indentures governing our senior unsecured debt and our Senior Credit Agreement and the certificate of designations governing our outstanding preferred stock contain various provisions that may limit our management's discretion in certain respects. In particular, these agreements limit our and our subsidiaries' ability to, among other things:

- pay dividends on, redeem or repurchase shares of our common stock and, under certain circumstances, our outstanding preferred stock, and redeem or repurchase our subordinated debt;
- make loans to others;
- make investments;
- incur additional indebtedness or issue preferred stock that is senior to our outstanding preferred stock as to dividends or rights upon liquidation, winding-up or dissolution;
- create certain liens;

- sell assets;
- enter into agreements that restrict dividends or other payments from our restricted subsidiaries to us;
- consolidate, merge or transfer all or substantially all of our assets and those of our restricted subsidiaries taken as a whole;
- engage in transactions with affiliates;
- enter into hedging contracts;
- create unrestricted subsidiaries; and
- enter into sale and leaseback transactions.

Additionally, if dividends on our outstanding preferred stock are in arrears and unpaid for six or more quarterly periods, the holders (voting as a single class) of our outstanding preferred stock will be entitled to elect two additional directors to our Board of Directors until paid in full.

Compliance with these and other limitations may limit our ability to operate and finance our business and engage in certain transactions in the manner we might otherwise. In addition, if we fail to comply with the limitations under our indentures or Senior Credit Agreement, our creditors, if the agreements so provide, may accelerate the related indebtedness as well as any other indebtedness to which a cross-acceleration or cross-default provision applies. In addition, lenders may be able to terminate any commitments they had made to make further funds available to us.

We depend on computer and telecommunications systems and failures in our systems or cyber security attacks could significantly disrupt our business operations.

We have entered into agreements with third parties for hardware, software, telecommunications and other information technology services in connection with our business. In addition, we have developed proprietary software systems, management techniques and other information technologies incorporating software licensed from third parties. It is possible we could incur interruptions from cyber security attacks, computer viruses or malware. We believe that we have positive relations with our related vendors and maintain adequate anti-virus and malware software and controls; however, any interruptions to our arrangements with third parties to our computing and communications infrastructure or our information systems could significantly disrupt our business operations.

Item 2. Unregistered Sales of Equity Securities and the Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

The following documents are included as exhibits to this Quarterly Report on Form 10-Q. Those exhibits incorporated by reference are so indicated by the information supplied with respect thereto. Those exhibits which are not incorporated by reference are attached hereto.

3.1 Amended and Restated Certificate of Incorporation of RAM Energy Resources, Inc. dated February 8, 2012 (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed February 9, 2012).

3.2 Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Halcón Resources Corporation, effective as of February 10, 2012 (Incorporated by reference to Exhibit 3.2 of our Current Report on Form 8-K filed February 9, 2012).

3.3 Certificate of Designation, Preferences, Rights and Limitations of 8% Automatically Convertible Preferred Stock of Halcón Resources Corporation dated March 2, 2012 (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed March 5, 2012).

3.4 Certificate of Elimination of 8% Automatically Convertible Preferred Stock dated November 30, 2012 (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed December 4, 2012).

3.5 Certificate of Designation, Preferences, Rights and Limitations of 8% Automatically Convertible Preferred Stock of Halcón Resources Corporation dated December 5, 2012 (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed December 11, 2012).

3.6 Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Halcón Resources Corporation dated January 17, 2013 (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed January 23, 2013).

3.7 Fourth Amended and Restated Bylaws of Halcón Resources Corporation (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed November 6, 2012).

3.8 Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Halcón Resources Corporation, effective as of May 23, 2013 (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed May 29, 2013).

3.9 Certificate of Designations, Preferences, Rights and Limitations of 5.75% Series A Convertible Perpetual Preferred Stock of Halcón Resources Corporation (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed June 18, 2013).

3.10 Certificate of Elimination of 8% Automatically Convertible Preferred Stock of Halcón Resources Corporation (Incorporated by reference to Exhibit 3.2 of our Current Report on Form 8-K filed June 18, 2013).

4.1 Convertible Promissory Note dated February 8, 2012, between Halcón Resources Corporation and HALRES LLC (formerly Halcón Resources LLC) (Incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed February 9, 2012).

4.2 Warrant Certificate dated February 8, 2012, between Halcón Resources Corporation and HALRES LLC (formerly Halcón Resources LLC) (Incorporated by reference to Exhibit 4.2 of our Current Report on Form 8-K filed February 9, 2012).

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4.3 Registration Rights Agreement dated February 8, 2012, between Halcón Resources Corporation and HALRES LLC (formerly Halcón Resources LLC) (Incorporated by reference to Exhibit 4.3 of our Current Report on Form 8-K filed February 9, 2012).

4.4 Indenture dated as of July 16, 2012, among Halcón Resources Corporation, the subsidiary guarantors named therein and U.S. Bank National Association, as Trustee, relating to Halcón Resources Corporation's 9.75% Senior Notes due 2020 (Incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed July 17, 2012).

4.5 Registration Rights Agreement dated July 16, 2012, among Halcón Resources Corporation, the subsidiary guarantors named therein, and the initial purchaser named therein (Incorporated by reference to Exhibit 4.2 of our Current Report on Form 8-K filed July 17, 2012).

4.6 First Supplemental Indenture dated as of August 1, 2012, by and among Halcón Resources Corporation, the parties named therein as subsidiary guarantors, and U.S. Bank National Association, as Trustee, relating to the 9.75% senior notes due 2020 (Incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed August 2, 2012).

4.7 Second Supplemental Indenture dated as of August 1, 2012, by and among Halcón Resources Corporation, the parties named therein as subsidiary guarantors, and U.S. Bank National Association, as Trustee, relating to the 9.75% senior notes due 2020 (Incorporated by reference to Exhibit 4.2 of our Current Report on Form 8-K filed August 2, 2012).

4.8 Registration Rights Agreement dated as of August 1, 2012, among CH4 Energy II, LLC, PetroMax Leon, LLC and Petro Texas LLC and Halcón Resources Corporation (subsequently joined by U.S. King King LLC) (Incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed August 7, 2012).

4.9 Registration Rights Agreement dated March 5, 2012, between Halcón Resources Corporation and Barclays Capital, Inc. as lead placement agent for the benefit of the initial holders named therein (Incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed March 5, 2012).

4.10 Registration Rights Agreement dated as of November 6, 2012, among Halcón Resources Corporation, the subsidiary guarantors named therein, and the initial purchaser named therein (Incorporated by reference to Exhibit 4.2 of our Current Report on Form 8-K filed November 7, 2012).

4.11 Indenture dated as of November 6, 2012, among Halcón Resources Corporation, the subsidiary guarantors named therein and U.S. Bank National Association, as Trustee, relating to Halcón Resources Corporation's 8.875% Senior Notes due 2021 (Incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed November 7, 2012).

4.12 First Supplemental Indenture dated December 6, 2012, among Halcón Williston I, LLC and Halcón Williston II, LLC, the existing guarantors, Halcón Resources Corporation, the parties named therein as subsidiary guarantors and U.S. Bank National Association, as trustee, relating to the 8.875% senior notes due 2021 (Incorporated by reference to Exhibit 4.3 of our Current Report on Form 8-K filed December 11, 2012).

4.13 Third Supplemental Indenture dated December 6, 2012, among Halcón Resources Corporation and U.S. Bank National Association, as Trustee, relating to the 9.75% senior notes due 2020 (Incorporated by reference to Exhibit 4.4 of our Current Report on Form 8-K filed December 11, 2012).

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4.14	Registration Rights Agreement dated December 6, 2012, between Halcón Resources Corporation and Petro-Hunt Holdings LLC and Pillar Holdings LLC (Incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed December 11, 2012).
4.15	First Amendment to Registration Rights Agreement dated December 6, 2012, between Halcón Resources Corporation and HALRES LLC (formerly Halcón Resources LLC) (Incorporated by reference to Exhibit 4.2 of our Current Report on Form 8-K filed December 11, 2012).
4.16	Registration Rights Agreement, dated as of January 14, 2013, between Halcón Resources Corporation and Wells Fargo Securities, LLC, on behalf of the initial purchasers named therein (Incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed January 15, 2013).
4.17	Waiver, dated July 3, 2013, relating to Registration Rights Agreement dated December 6, 2012 by and among Halcón Resources Corporation and Petro-Hunt Holdings, LLC and Pillar Holdings, LLC (Incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed July 10, 2013).
10.1	Second Amendment to Senior Revolving Credit Agreement, dated as of January 25, 2013, among Halcón Resources Corporation, as borrower, each of the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as administrative agent for the lenders (Incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed January 30, 2013).
10.2	Third Amendment to Senior Revolving Credit Agreement, dated as of April 26, 2013, among Halcón Resources Corporation, as borrower, each of the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as administrative agent for the lenders (Incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013).
10.3	Purchase Agreement, dated January 9, 2013, among Halcón Resources Corporation, the subsidiary guarantors named therein and Wells Fargo Securities, LLC, as representative of the initial purchasers named therein (Incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed January 15, 2013).
10.4	Fourth Amendment to Senior Revolving Credit Agreement, dated as of May 8, 2013, among Halcón Resources Corporation, as borrower, each of the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as administrative agent for the lenders (Incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed May 14, 2013).
10.5	Fifth Amendment to Senior Revolving Credit Agreement, dated as of June 11, 2013, among Halcón Resources Corporation, as borrower, each of the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent for the lenders (Incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed June 17, 2013).
10.6	Underwriting Agreement, dated June 13, 2013, among Halcón Resources Corporation, J.P. Morgan Securities LLC and Barclays Capital Inc., as representatives of the underwriters named therein (Incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed June 18, 2013).
10.7	Halcón Resources Corporation First Amended and Restated 2012 Long-Term Incentive Plan (Incorporated by reference to Exhibit 10.01 of our Current Report on Form 8-K filed March 4, 2013).

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10.8	Amendment No. 1 to Halcón Resources Corporation First Amended and Restated 2012 Long-Term Incentive Plan (Incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed May 29, 2013).
12.1*	Computation of Ratio of Earnings to Combined Fixed Charges and Preference Dividends
31.1*	Sarbanes-Oxley Section 302 certification of our Principal Executive Officer
31.2*	Sarbanes-Oxley Section 302 certification of our Principal Financial Officer
32*	Sarbanes-Oxley Section 906 certification of Principal Executive Officer and Principal Financial Officer
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Attached hereto.

Indicates management contract or compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

		HALCÓN RESOURCES CORPORATION
August 1, 2013	By:	/s/ FLOYD C. WILSON
		Name: Floyd C. Wilson
		Title: *Chairman of the Board and Chief Executive Officer*
August 1, 2013	By:	/s/ MARK J. MIZE
		Name: Mark J. Mize
		Title: *Executive Vice President, Chief Financial Officer and Treasurer*
August 1, 2013	By:	/s/ JOSEPH S. RINANDO, III
		Name: Joseph S. Rinando, III
		Title: *Vice President and Chief Accounting Officer*