

Ray Robert T
Form 4
October 26, 2006

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN 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 *
Ray Robert T

2. Issuer Name and Ticker or Trading Symbol
HOUSTON EXPLORATION CO
[THX]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
1100 LOUISIANA ST., SUITE 2000
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
10/24/2006

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
Sr. VP & C.F.O.

HOUSTON, TX 77002

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

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

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(D)	Price
common stock (\$0.01 par value) ⁽¹⁾	10/24/2006		A		7,000	A	\$ 55.5
					14,500	D	

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

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SEC 1474
(9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
employee stock options (right to buy)	\$ 55.5	10/24/2006		A	19,000	10/24/2007 ⁽²⁾ 10/24/2017 ⁽²⁾	common stock 19,

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Ray Robert T 1100 LOUISIANA ST. SUITE 2000 HOUSTON, TX 77002			Sr. VP & C.F.O.	

Signatures

/s/ Robert T.
Ray
10/26/2006
Date
**Signature of Reporting Person

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(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).
- (1) Restricted shares were granted pursuant to the Company's Amended and Restated 2004 Long-Term Incentive Plan, and are restricted from sale or transfer until fully vested. Shares fully vest and restrictions are terminated at the end of three years from the grant date as set forth in the award agreement.
- (2) Employee Stock Options were granted pursuant to the Company's Amended and Restated 2004 Long-Term Incentive Plan, and vest in annual 1/3 increments beginning on the first anniversary of the date of grant and expire 10 years from the date of grant, as set forth in the award agreement.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.