

HOUSTON EXPLORATION CO
Form 4
June 08, 2007

FORM 4

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

OMB APPROVAL

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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 *
VAUGHN DONALD C

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)

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

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

194 N. TRANQUIL PATH

06/06/2007

(Street)

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

THE WOODLANDS, TX 77380

(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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | | | | |
| common stock (\$0.01 par value) | 06/06/2007 | | M | 2,702 A | 10,490 | D | |
| common stock (\$0.01 par value) | 06/06/2007 | | D | 10,490 D | 0 | 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) | 8. Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|-------------------------------|
| stock option (right to buy) | \$ 20.81 | 06/06/2007 | | D | 7,000 | <u>(3)</u> 09/22/2007 | common stock | 7,000 |
| stock option (right to buy) | \$ 18.56 | 06/06/2007 | | D | 2,000 | <u>(3)</u> 09/21/2008 | common stock | 2,000 |
| stock option (right to buy) | \$ 20.94 | 06/06/2007 | | D | 2,000 | <u>(3)</u> 09/20/2009 | common stock | 2,000 |
| stock option (right to buy) | \$ 26.19 | 06/06/2007 | | D | 2,000 | <u>(3)</u> 09/20/2010 | common stock | 2,000 |
| stock option (right to buy) | \$ 25.48 | 06/06/2007 | | D | 2,000 | <u>(3)</u> 09/20/2011 | common stock | 2,000 |
| stock option (right to buy) | \$ 28.8 | 06/06/2007 | | D | 2,000 | <u>(3)</u> 09/20/2012 | common stock | 2,000 |
| stock option (right to buy) | \$ 35.11 | 06/06/2007 | | D | 2,000 | <u>(3)</u> 09/22/2013 | common stock | 2,000 |

| | | | | | | | | |
|-----------------------------|----------|------------|---|-------|------------|------------|--------------|-------|
| stock option (right to buy) | \$ 54.85 | 06/06/2007 | D | 2,000 | (3) | 09/20/2014 | common stock | 2,000 |
| phantom stock | (1) | 06/06/2007 | M | 2,702 | 06/06/2007 | 06/06/2007 | common stock | 2,702 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| VAUGHN DONALD C 194 N. TRANQUIL PATH THE WOODLANDS, TX 77380 | | | X | |

Signatures

/s/ Karol L. Adams by Power of Attorney for Donald C. Vaughn

06/08/2007

__Signature of Reporting Person

Date

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) Pursuant to The Houston Exploration Company's (the "Company") post-2004 director deferred compensation plan, the reporting person's phantom stock rights are exchanged for a cash distribution upon termination from the Company's Board of Directors. Each share of phantom stock was the economic equivalent of one share of the Company's common stock.

(2) Pursuant to the Agreement and Plan of Merger, dated as of January 7, 2007 (the "Merger Agreement"), by and among Forest Oil Corporation ("Forest"), MJCO Corporation, a wholly owned subsidiary of Forest, and The Houston Exploration Company (the "Company"), at the effective time ("Merger I Effective Date") of the merger contemplated therein, each outstanding share of the Company's common stock was converted into the right to receive (i) .84 shares of Forest's common stock and (ii) \$26.25 in cash. This represents \$60.02 per share of consideration to be received by the Company's stockholders based on the average closing price of Forest's common stock during the ten-day valuation period specified in the Merger Agreement. The mix of cash and stock consideration to be received by each of the Company's stockholders will be determined by stockholder elections, subject to proration. As a result of the proration procedures that have not yet been completed as of the date of this filing, it

(3) Pursuant to the Merger Agreement, at the Merger I Effective Time, each non-qualified stock option became immediately and fully vested and was cancelled and converted into the right to receive a cash amount equal to the excess of \$60.02 over the option exercise price multiplied by the number of shares subject to such option.

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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