

Rosetta Resources Inc.
Form POS AM
May 31, 2006
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As filed with the Securities and Exchange Commission on May 31, 2006

Registration No. 333-128888

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

Post-Effective Amendment No. 1

to

Form S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ROSETTA RESOURCES INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1311
(Primary Standard Industrial
Classification Code Number)

43-2083519
(I.R.S. Employer
Identification Number)

717 Texas, Suite 2800

Houston, TX 77002

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(713) 335-4000

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Michael J. Rosinski

Executive Vice President,

Chief Financial Officer, Secretary & Treasurer

Rosetta Resources Inc.

717 Texas, Suite 2800

Houston, TX 77002

(713) 335-4000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Dallas Parker

Thompson & Knight LLP

333 Clay Street, Suite 3300

Houston, TX 77002

(713) 654-8111

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This Post-Effective Amendment No. 1 to the Registration Statement incorporates by reference the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the Securities and Exchange Commission on April 20, 2006, Quarterly Report on Form 10-Q for the three months ended March 31, 2006, as filed with the Securities and Exchange Commission on May 15, 2006, and Current Reports on Forms 8-K as filed with the Securities and Exchange Commission on April 21, 2006 and May 19, 2006.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where such offer or sale is not permitted.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED MAY 31, 2006

PROSPECTUS

50,000,000 Shares

Common Stock

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

We are not selling any shares of common stock under this prospectus and will not receive any proceeds from the sale of common stock by the selling stockholders. The shares of common stock to which this prospectus relates may be offered and sold from time to time directly from the selling stockholders or alternatively through underwriters or broker-dealers or agents. The shares of common stock may be sold in one or more transactions, at fixed prices, at prevailing market prices at the time of sale or at negotiated prices. Because all of the shares being offered under this prospectus are being offered by selling stockholders, we cannot currently determine the price or prices at which our shares of common stock may be sold under this prospectus. Shares of our common stock are listed on the NASDAQ National market under the symbol ROSE. On May 18, 2006, the closing price of our common stock as reported on the NASDAQ National Market was \$17.81 per share. Please read Plan of Distribution.

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

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

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

The date of this prospectus is _____, 2006.

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WHERE YOU CAN FIND MORE INFORMATION

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

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

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

INCORPORATION BY REFERENCE

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

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

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

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

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

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

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

Rosetta Resources Inc.

717 Texas, Suite 2800

Houston, Texas 77002

Telephone Number: (713) 335-4000

Attention: Chief Financial Officer

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SUMMARY

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

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

Our Company

General

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

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

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

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Our Strengths

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

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

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

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

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

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

Our Strategy

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

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

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

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

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

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

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

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

Calpine Bankruptcy

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

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

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

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

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

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

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

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

Transfers Pending at Calpine's Bankruptcy

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

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

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

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

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

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

Crude Oil and Natural Gas Operations

Production by Operating Area

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

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

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

Proved Reserves

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

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

	Estimated Proved Reserves at December 31, 2005(1)(3)(4)				
	Developed	Undeveloped	Total	of Total	PV-10
	(Bcfe)	(Bcfe)	(Bcfe)	Reserves	(Millions)(2)
California	110.5	37.2	147.7	41%	\$ 605.7
Lobo	74.0	77.2	151.2	42%	463.1
Perdido	9.2	1.0	10.2	3%	44.1
State Waters	3.4		3.4	1%	17.8
Gulf of Mexico	12.7	3.9	16.6	5%	99.6
Other Onshore	15.9	7.7	23.6	6%	76.5
Rocky Mountains	2.5	1.0	3.5	1%	9.7
Mid-Continent	2.3	0.5	2.8	1%	10.2
Total	230.5	128.5	359.0	100%	\$ 1,326.7

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

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

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

Operating Data

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

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

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

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Recent Developments

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

Corporate Information

On July 7, 2005, we completed a private offering of 45,312,500 shares of our common stock exempt from registration under the Securities Act for aggregate consideration of \$725 million or \$16.00 per share. We used the net proceeds from the offering and borrowings of \$325 million under our credit facilities to purchase Calpine's domestic oil and natural gas exploration and production business. In connection with that offering, on July 13, 2005, we sold an additional 4,687,500 shares of our common stock in an exempt transaction to fulfill the over-allotment option