

PETROHAWK ENERGY CORP

Form S-4

April 28, 2005

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**AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 28, 2005  
REGISTRATION NO. 333-**

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

**Form S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**Petrohawk Energy Corporation**  
*(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)*

**86-0876964**  
*(I.R.S. Employer  
Identification Number)*

**1100 Louisiana, Suite 4400  
Houston, Texas 77002  
(832) 204-2700**  
*(Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Registrant's Principal Executive Offices)*

**Floyd C. Wilson**  
**President and Chief Executive Officer**  
**Petrohawk Energy Corporation**  
**1100 Louisiana, Suite 4400**  
**Houston, Texas 77002**  
**(832) 204-2700**  
*(Name, Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Agent for Service)*

***Copies To:***

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**333 Clay St., Suite 3300**  
**Houston, Texas 77002**  
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**Houston, Texas 77002**  
**(713) 226-6674**  
**(713) 226-6274 (Fax)**

**APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:** As soon as practicable after the effectiveness of this Registration Statement and the effective time of the merger as described in the Agreement and Plan of Merger, dated as of April 3, 2005, included as Annex A to the joint proxy statement/prospectus forming a part of this Registration Statement.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, 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(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.

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price per Share</b>	<b>Proposed Maximum Aggregate Offering Price(2)</b>	<b>Amount of Registration Fee</b>
Common Stock, par value \$0.001	21,935,083	N/A	\$221,748,848	\$26,100

(1) Represents the number of shares of the common stock of the registrant that may be issued to former stockholders of Mission Resources Corporation pursuant to the merger described herein.

(2) Pursuant to Securities Act Rule 457(c), (f)(1) and (f)(3), and estimated solely for purposes of calculating the registration fee, the proposed maximum aggregate offering price is \$221,748,848, which equals (1) the product of (a) the average of the high and low prices of the common stock, par value \$0.01 per share, of Mission, of \$7.54, as quoted on the Nasdaq National Market on April 22, 2005 and (b) the maximum total number of shares of common stock of Mission to be canceled (which is 47,367,803 shares), less (2) the maximum amount of cash to be paid by the Registrant in exchange for shares of Mission common stock (which equals \$135,404,387).

**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 that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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

**SUBJECT TO COMPLETION, DATED APRIL 28, 2005**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Petrohawk Energy Corporation ( Petrohawk ), its wholly owned subsidiary, Petrohawk Acquisition Corporation ( Merger Sub ), and Mission Resources Corporation ( Mission ), have entered into an agreement and plan of merger dated as of April 3, 2005 (the merger agreement ). Under the merger agreement, Petrohawk will acquire Mission through a merger of Mission with and into Merger Sub (the merger ). Following the merger, Merger Sub will be the surviving entity and will continue as a wholly owned subsidiary of Petrohawk. The merger agreement is attached as Annex A to this joint proxy statement/ prospectus and is incorporated into this joint proxy statement/ prospectus by reference. In the merger, Petrohawk will issue approximately 19.234 million shares of common stock and will pay approximately \$135.4 million in cash (based on the outstanding shares of Mission common stock on April 1, 2005, and in each case subject to upward adjustment, up to approximately 1.8 million shares of common stock and \$12.7 million in cash, in the event that any additional shares of Mission common stock are issued in accordance with the merger agreement pursuant to the exercise of Mission stock options or otherwise). You may elect to receive either cash or Petrohawk common stock with respect to each share of Mission common stock you hold, subject in each case to allocation procedures set forth in the merger agreement and described in this document. Regardless of whether you elect to receive cash, Petrohawk common stock, or a combination of cash and Petrohawk common stock, or make no election, the merger agreement contains provisions designed to cause the value of the per share consideration you receive to be substantially equivalent. The tables on pages 6 and 61 of this document set forth hypothetical examples of the merger consideration you may receive. The actual amount of cash or number of shares of Petrohawk common stock that you will receive for each share of Mission common stock you hold will not be known at the time of the Mission special meeting to vote upon the proposed merger. Those amounts will be determined after the effective time of the merger based on a formula set forth in the merger agreement and described in this document.

Your vote is important. We cannot complete the merger unless the Mission stockholders adopt the merger agreement and the Petrohawk stockholders approve the issuance of Petrohawk common stock at their respective stockholder meetings. The obligations of Petrohawk and Mission to complete the merger are also subject to the satisfaction or waiver of certain other conditions to the merger. The places, dates and times of the annual meeting of Petrohawk and the special meeting of Mission are as follows:

For Petrohawk stockholders:

10:00 a.m., CDT  
, 2005  
1100 Louisiana St., Suite 4400  
Houston, Texas 77002

For Mission stockholders:

10:00 a.m., CDT  
, 2005  
Four Seasons Hotel, 1300 Lamar St.  
Houston, Texas 77010

This joint proxy statement/ prospectus gives you detailed information about the annual meeting of Petrohawk and the special meeting of Mission and the proposed merger. **We urge you to read this joint proxy statement/ prospectus carefully, including Risk Factors on page 19 for a discussion of the risks relating to the merger.** Whether or not you plan to attend your meeting, to ensure your shares are represented at the meeting, please vote as soon as possible by either completing and submitting the enclosed proxy card or voting using the telephone or Internet voting procedures described on your proxy card.

Each of our boards of directors recommends that you vote FOR the adoption of the merger agreement and approval of the merger and the other transactions contemplated by the merger agreement and the other matters contemplated to be voted upon at the annual meeting of Petrohawk and the special meeting of Mission.

Petrohawk common stock is quoted on the Nasdaq National Market under the symbol HAWK. Mission common stock is quoted on the Nasdaq National Market under the symbol MSSN.

**Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/ prospectus or has passed upon the adequacy or accuracy of the disclosure in this joint proxy statement/ prospectus. Any representation to the contrary is a criminal offense.**

This joint proxy statement/ prospectus is dated \_\_\_\_\_, 2005 and is first being mailed to Petrohawk stockholders and Mission stockholders on or about \_\_\_\_\_, 2005.

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**PETROHAWK ENERGY CORPORATION**  
**1100 Louisiana St., Suite 4400**  
**Houston, Texas 77002**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held On \_\_\_\_\_, 2005**

TO THE STOCKHOLDERS OF PETROHAWK ENERGY CORPORATION:

We will hold the annual meeting of stockholders of Petrohawk Energy Corporation ( Petrohawk ) at Petrohawk s offices, 1100 Louisiana St., Suite 4400, Houston, Texas, on \_\_\_\_\_, 2005, at 10:00 a.m., CDT, for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of shares of common stock, par value \$0.001 per share, of Petrohawk pursuant to the Agreement and Plan of Merger, dated as of April 3, 2005, by and among Petrohawk, Petrohawk Acquisition Corporation, and Mission Resources Corporation.

2. To consider and vote upon a proposal to amend Petrohawk s certificate of incorporation to increase the number of authorized shares of common stock from 75 million shares to 125 million shares.

3. To elect two nominees to the board of directors to serve as Class I directors until their successors are duly elected or until their earlier death, resignation, or removal.

4. To consider and vote upon a proposal to amend Petrohawk s Amended and Restated 2004 Employee Incentive Plan to increase the number of authorized shares of common stock under the plan from 2.75 million shares to 4.25 million shares.

5. To consider and vote upon a proposal to amend Petrohawk s Amended and Restated 2004 Non-Employee Director Incentive Plan to increase the number of authorized shares of common stock under the plan from 200,000 shares to 400,000 shares.

6. To ratify the selection of Deloitte & Touche LLP as Petrohawk s independent auditors for the year ending December 31, 2005.

7. To transact any other business as may properly be brought before the annual meeting or any adjournment or postponement of the annual meeting.

The Petrohawk board of directors has fixed the close of business on \_\_\_\_\_, 2005 as the record date for determining those Petrohawk stockholders entitled to vote at the annual meeting and any adjournment or postponement thereof. Accordingly, only stockholders of record at the close of business on that date are entitled to notice of, and to vote at, the annual meeting. A complete list of the Petrohawk stockholders will be available for examination at the offices of Petrohawk in Houston, Texas during ordinary business hours for a period of 10 days prior to the annual meeting.

The board of directors of Petrohawk recommends that Petrohawk stockholders vote FOR each of the proposals to be voted on at the annual meeting.

To ensure your representation at the annual meeting, please complete and promptly mail your proxy card in the return envelope enclosed, or authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card or voting instruction card. This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. If your shares are held in street name by your broker or other nominee, only that holder can vote your shares and the vote cannot be cast unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your proxy may be revoked at any time before it is voted. Please review the joint proxy statement/ prospectus accompanying this notice

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for more complete information regarding the matters to be voted on at the meeting.

By Order of the Board of Directors  
of Petrohawk Energy Corporation

Floyd C. Wilson  
Chairman, President and Chief Executive Officer

Houston, Texas  
, 2005

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**MISSION RESOURCES CORPORATION**  
**1331 Lamar St., Suite 1455**  
**Houston, Texas 77010-3039**  
**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**  
**To Be Held On \_\_\_\_\_, 2005**

TO THE STOCKHOLDERS OF MISSION RESOURCES CORPORATION:

We will hold a special meeting of stockholders of Mission Resources Corporation at the Four Seasons Hotel, 1300 Lamar St., Houston, Texas, on \_\_\_\_\_, 2005, at 10:00 a.m., CDT, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger dated as of April 3, 2005, by and among Petrohawk Energy Corporation, Petrohawk Acquisition Corporation, and Mission Resources Corporation, and approve the merger of Mission Resources Corporation with and into Petrohawk Acquisition Corporation and the other transactions contemplated by the merger agreement; and

2. To transact any other business as may properly be brought before the special meeting or any adjournment or postponement of the special meeting.

The Mission board of directors has fixed the close of business on \_\_\_\_\_, 2005 as the record date for determining those Mission stockholders entitled to vote at the special meeting and any adjournment or postponement thereof. Accordingly, only stockholders of record at the close of business on that date are entitled to notice of, and to vote at, the special meeting. A complete list of the Mission stockholders will be available for examination at the offices of Mission in Houston, Texas during ordinary business hours for a period of 10 days prior to the special meeting.

The board of directors of Mission recommends that Mission stockholders vote **FOR** the proposal to adopt the merger agreement and approve the merger and the other transactions contemplated by the merger agreement.

Under Delaware law, if the merger is completed, holders of Mission common stock who do not vote in favor of, or consent in writing to, the adoption of the merger agreement and approval of the merger and the other transactions contemplated by the merger agreement will have the right to seek appraisal of the fair value of their shares, but only if they submit a written demand for such an appraisal prior to the vote on the merger agreement and they comply with the other Delaware law procedures and requirements explained in the accompanying joint proxy statement/prospectus.

To ensure your representation at the special meeting, please complete and promptly mail your proxy card in the return envelope enclosed, or authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card or voting instruction card. This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. If your shares are held in **street name** by your broker or other nominee, only that holder can vote your shares and the vote cannot be cast unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your proxy may be revoked at any time before it is voted. Please review the joint proxy statement/prospectus accompanying this notice for more complete information regarding the merger and the special meeting.

By Order of the Board of Directors  
of Mission Resources Corporation

Robert L. Cavnar  
Chairman, President and Chief Executive Officer

Houston, Texas  
\_\_\_\_\_, 2005



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**ADDITIONAL INFORMATION**

This joint proxy statement/ prospectus incorporates by reference important business and financial information about Petrohawk and Mission from documents that are not included in or delivered with this joint proxy statement/ prospectus. See *Where You Can Find More Information* on page 142. This information is available to you without charge upon your written or oral request. You can obtain documents incorporated by reference in this joint proxy statement/ prospectus by requesting them in writing or by telephone from Petrohawk or Mission at the following addresses:

Petrohawk Energy Corporation  
1100 Louisiana St., Suite 4400  
Houston, Texas 77002  
(832) 204-2700  
Attention: Investor Relations

Mission Resources Corporation  
1331 Lamar St., Suite 1455  
Houston, Texas 77010-3039  
(713) 495-3000  
Attention: Investor Relations

You also may obtain these documents at the Securities and Exchange Commission's website, *www.sec.gov*, and you may obtain certain of these documents at Petrohawk's website, *www.petrohawk.com*, by selecting *Investor Relations* and then selecting *SEC Filings*, and at Mission's website, *www.mrcorp.com*, by selecting *Investor Relations* and then selecting *SEC Filings*. Information contained on the Petrohawk and Mission websites is expressly not incorporated by reference into this joint proxy statement/ prospectus. **To receive timely delivery of the documents in advance of the Petrohawk annual meeting of stockholders or Mission special meeting of stockholders, your request should be received no later than \_\_\_\_\_, 2005.**

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**QUESTIONS AND ANSWERS ABOUT VOTING PROCEDURES  
FOR THE ANNUAL AND SPECIAL MEETINGS**

**Q: Why is my vote important?**

A: Under the Delaware General Corporation Law (the DGCL ), which governs Mission, the merger agreement must be adopted by the holders of a majority of the outstanding shares of Mission common stock entitled to vote. Accordingly, if a Mission stockholder fails to vote, or if a Mission stockholder abstains, that will have the same effect as a vote against adoption of the merger agreement and approval of the merger and the other transactions contemplated by the merger agreement.

Under the rules of the Nasdaq National Market, the issuance of Petrohawk common stock in the merger and the amendments to increase the shares available for issuance under Petrohawk's Amended and Restated 2004 Employee Incentive Plan (the 2004 Employee Incentive Plan ) and Amended and Restated 2004 Non-Employee Director Incentive Plan (the 2004 Non-Employee Director Incentive Plan ) require the affirmative vote of a majority of the shares of common stock voted at the Petrohawk annual meeting. Accordingly, assuming that a quorum is present, the failure of a Petrohawk stockholder to vote or a decision by a Petrohawk stockholder to abstain will have no effect in determining whether these proposals are approved. Approval of the issuance of Petrohawk common stock is a condition to the merger agreement; however, the merger is not conditioned on amending the 2004 Employee Incentive Plan or the 2004 Non-Employee Director Incentive Plan.

In addition, under the DGCL, which also governs Petrohawk, the proposed amendment to Petrohawk's certificate of incorporation must be approved by the holders of a majority of the outstanding shares of Petrohawk common stock and preferred stock entitled to vote. Accordingly, if a Petrohawk stockholder fails to vote, or if a Petrohawk stockholder abstains, that will have the same effect as a vote against approval of the amendment to the certificate of incorporation. The merger is not conditioned on the approval of this amendment.

**Q: What do I need to do now?**

A: After you have carefully read this joint proxy statement/ prospectus, please respond by completing, signing and dating your proxy card and returning it in the enclosed postage-paid envelope or, if available, by submitting your proxy or voting instruction by telephone or through the Internet as soon as possible so that your shares will be represented and voted at your special meeting.

**Q: What do I do if I want to change my vote after I have delivered my proxy card?**

A: You may change your vote at any time before your proxy is voted at your meeting. You can do this in any of the three following ways:

by sending a written notice to the Secretary of Petrohawk or Mission, as appropriate, in time to be received before your meeting stating that you would like to revoke your proxy;

by completing, signing and dating another proxy card and returning it by mail in time to be received before your annual or special meeting, as appropriate, or, if you submitted your proxy through the Internet or by telephone, you can change your vote by submitting a proxy card at a later date, in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or

if you are a holder of record, by attending your annual or special meeting and voting in person.

If your shares are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

**Q: If I am a Mission stockholder, should I send in my stock certificates with my proxy card?**

A: No. Please DO NOT send your Mission stock certificates with your proxy card. Rather, prior to the election deadline of 5:00 p.m., CDT, on \_\_\_\_\_, 2005, you should send your Mission common stock certificates to the exchange agent, together with your completed, signed election form. If your shares are held in street name by your broker or other nominee you should follow your broker's or other nominee's instructions for making an election with respect to your shares.



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**Q: What is the amount of cash and/or the number of shares of Petrohawk common stock that I will receive for my shares of Mission common stock?**

A: The actual amount of cash or number of shares of Petrohawk common stock that you will receive for each share of Mission common stock you hold cannot be determined until after the effective time of the merger. Those amounts will be determined based on a formula set forth in the merger agreement and described in this document. The per share consideration will be equal to the aggregate value of all Petrohawk common stock and cash being issued in the merger divided by the total number of shares of Mission common stock outstanding immediately prior to the effective time of the merger. The value of the Petrohawk common stock for these purposes (the Average Petrohawk Common Stock Value ) will be the volume-weighted average of the closing sale prices per share of Petrohawk common stock as quoted on the Nasdaq National Market during the 10 consecutive trading day period during which the shares of Petrohawk common stock are quoted on the Nasdaq National Market ending three calendar days before the effective time of the merger or if such calendar day is not a trading day, then ending on the trading day immediately preceding such calendar day. There is a table on pages 6 and 61 that sets forth the per share cash consideration and the per share stock consideration that would be received by Mission stockholders based on a range of hypothetical Average Petrohawk Common Stock Values.

**Q: Is the value of the per share consideration that I receive expected to be substantially equivalent regardless of which election I make?**

A: Yes. The formula that will be used to calculate the per share consideration is designed to substantially equalize the value of the consideration to be received for each share of Mission common stock in the merger at the time the calculation is made, regardless of whether you elect to receive cash, stock, or a combination of cash and stock, or do not make an election, for your Mission shares.

**Q: If I am a Mission stockholder, when must I elect the type of merger consideration that I prefer to receive?**

A: Holders of Mission common stock who wish to elect the type of merger consideration they prefer to receive in the merger should carefully review and follow the instructions set forth in the election form provided to Mission stockholders together with this joint proxy statement/ prospectus. These instructions require that a properly completed and signed election form be received by the exchange agent by the election deadline, which is 5:00 p.m., CDT, on \_\_\_\_\_, 2005. If a Mission stockholder does not submit a properly completed and signed election form to the exchange agent by the election deadline, then such stockholder will have no control over the type of merger consideration such stockholder may receive, and, consequently, may receive only cash, only Petrohawk common stock, or a combination of cash and Petrohawk common stock in the merger.

**Q: If I am a Mission stockholder, can I change my election after I submit my certificates?**

A: You can revoke your election and submit new election materials prior to the election deadline. You may do so by submitting a written notice to the exchange agent that is received prior to the election deadline at the following address:

American Stock Transfer & Trust Company  
Shareholder Services  
59 Maiden Lane  
New York, New York 10038

The revocation must specify the account name and such other information as the exchange agent may request; revocations may not be made in part. New elections must be submitted in accordance with the election procedures described in this joint proxy statement/ prospectus. If you instructed a broker to submit an election for your shares,

you must follow your broker's directions for changing those instructions.

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**Q: If my shares are held in street name by my broker or other nominee, will my broker or other nominee vote my shares for me?**

A: Your broker will NOT vote your shares held in street name unless you instruct your broker how to vote. In the case of Mission stockholders, such failure to vote will have the same effect as a vote AGAINST adoption of the merger agreement and approval of the merger and the other transactions contemplated by the merger agreement, and in the case of Petrohawk stockholders, such failure to vote will have the same effect as a vote AGAINST approval of the proposal to amend Petrohawk's certificate of incorporation. You should therefore provide your broker or other nominee with instructions as to how to vote your shares.

**Q: Do I have dissenters' rights?**

A: Under the DGCL, if the merger is completed, holders of Mission common stock who do not vote in favor of, or consent in writing to, the adoption of the merger agreement and approval of the merger and the other transactions contemplated by the merger agreement will have the right to seek appraisal of the fair value of their shares, but only if they submit a written demand for such an appraisal prior to the vote on the merger agreement and they comply with the other Delaware law procedures and requirements explained in the accompanying joint proxy statement/prospectus.

**Q: Who can I call with questions about the annual or special meeting, the merger and the other matters to be voted upon?**

A: If you have any questions about these matters or how to submit your proxy or voting instruction card, or if you need additional copies of this document or the enclosed proxy card or voting instruction card, you should contact:

if you are a Petrohawk stockholder:

Petrohawk Energy Corporation  
1100 Louisiana St., Suite 4400  
Houston, Texas 77002  
(832) 204-2700  
Attention: Investor Relations

if you are a Mission stockholder:

Mission Resources Corporation  
1331 Lamar St., Suite 1455  
Houston, Texas 77010-3039  
(713) 495-3000  
Attention: Investor Relations

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**SUMMARY**

This brief summary highlights selected information from this joint proxy statement/ prospectus. It does not contain all of the information that may be important to you. You should carefully read this entire document and the other documents to which this joint proxy statement/ prospectus refers you to fully understand the merger and the other matters discussed in this joint proxy statement/ prospectus. See **Where You Can Find More Information** on page 142. Each item in this summary refers to the page where that subject is discussed in more detail. We have defined certain oil and gas industry terms used in this document in the **Glossary of Oil and Gas Terms** beginning on page 145.

**Information about Petrohawk and Mission (Pages 28 and 31)**

**Petrohawk Energy Corporation**

1100 Louisiana St., Suite 4400  
Houston, Texas 77002  
(832) 204-2700

Petrohawk is a Delaware corporation. Petrohawk's common stock is quoted on the Nasdaq National Market under the symbol HAWK. Petrohawk is an independent oil and gas company engaged in the acquisition, development, production and exploration of natural gas and oil properties located in North America. Our properties are concentrated in the South Texas, Anadarko, Permian Basin, East Texas, Arkoma and Gulf Coast regions.

**Mission Resources Corporation**

1331 Lamar St., Suite 1455  
Houston, Texas 77010-3039  
(713) 495-3000

Mission is a Delaware corporation. Mission's common stock is quoted on the Nasdaq National Market under the symbol MSSN. Mission drills for, acquires, develops and produces natural gas and crude oil, primarily in the Permian Basin (in West Texas and Southeast New Mexico), along the Texas and Louisiana Gulf Coast and in both the state and federal waters of the Gulf of Mexico.

**The Merger**

**Mission Will Merge With and Into a Subsidiary of Petrohawk (Page 34)**

We propose a merger of Mission with and into Merger Sub, a wholly owned subsidiary of Petrohawk. Merger Sub will survive the merger as a wholly owned subsidiary of Petrohawk. We have attached the merger agreement to this joint proxy statement/ prospectus as **Annex A**. Please read the merger agreement carefully. It is the legal document that governs the merger. Subject to satisfaction of other conditions to the merger, we anticipate that the closing of the merger will occur within five days after the approval of the merger by the requisite vote of the Mission stockholders and the approval of the issuance of shares of Petrohawk common stock by the requisite vote of the Petrohawk stockholders.

**Mission Stockholders Will Receive Cash and/or Shares of Petrohawk Common Stock in the Merger Depending on Their Election and Any Adjustment (Pages 58 and 62)**

The merger agreement provides that at the effective time of the merger, each outstanding share of Mission common stock will be converted into the right to receive a number of shares of Petrohawk common stock, an amount of cash, or a combination of Petrohawk common stock and cash, subject to the election and allocation procedures described in this document. The actual amount of cash or number of shares of Petrohawk common stock that you will receive for each share of Mission common stock you hold cannot be determined until after the effective time of the merger. Those amounts will be determined based on a formula set forth in the merger agreement and described under the heading **The Merger** Merger

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Consideration beginning on page 58 of this document. The formula is designed to substantially equalize the value of the consideration to be received for each share of Mission common stock, at the time the calculation is made, regardless of whether you elect to receive cash, stock or a combination of cash and stock, or make no election. This equalization mechanism was deemed to be desirable because the value of the Petrohawk common stock will fluctuate. The value of the merger consideration to be received with respect to each share of Mission common stock will be equal to \$3.26 plus approximately \$0.4631 per \$1.00 of Average Petrohawk Common Stock Value.

The formula is also designed to fix the total number of shares of Petrohawk common stock and the amount of cash to be issued and paid, respectively, in the merger at approximately 19.234 million shares and approximately \$135.4 million in cash (in each case subject to upward adjustment up to approximately 1.8 million shares and \$12.7 million in cash, in the event that any shares of Mission common stock are issued in accordance with the merger agreement pursuant to the exercise of Mission stock options or otherwise). Because the amount of cash and the number of shares of Petrohawk common stock to be paid and issued, respectively, in the merger are fixed, the percentage of shares of Mission common stock that will be exchanged for Petrohawk common stock and the percentage that will be exchanged for cash will depend upon the Average Petrohawk Common Stock Value. The greater the Average Petrohawk Common Stock Value, the greater the percentage of shares of Mission common stock that will be exchanged for shares of Petrohawk common stock and the lesser the Average Petrohawk Common Stock Value, the greater the percentage of shares of Mission common stock that will be exchanged for cash.

For example, if the Average Petrohawk Common Stock Value is \$11.53, a Mission stockholder electing to receive stock would receive 0.7458 shares of Petrohawk common stock per share of Mission common stock having a value, based on such Average Petrohawk Common Stock Value, of \$8.60 per share, and a Mission stockholder electing to receive cash would receive \$8.60 in cash per share of Mission common stock, subject in each case to the allocation procedures described under the heading The Merger Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration; Allocations beginning on page 62 of this document. Based on that Average Petrohawk Common Stock Value and 41,535,088 shares of Mission common stock outstanding, 62.09% of the outstanding shares of Mission common stock would be exchanged for Petrohawk common stock and 37.91% of the outstanding shares of Mission common stock would be exchanged for cash.

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The following table sets forth, based on various hypothetical Average Petrohawk Common Stock Values, the per share cash consideration and the per share stock consideration, as well as the value of such stock consideration based on the hypothetical Average Petrohawk Common Stock Values. The table also shows the percentage of outstanding shares of Mission common stock that would be converted into Petrohawk common stock and cash based on such Average Petrohawk Common Stock Values. The table is based on the assumption that no Mission stock options have been exercised following the date of this joint proxy statement/ prospectus and prior to the closing of the merger, that no additional shares of Mission common stock are otherwise issued following the date of this joint proxy statement/ prospectus and that the number of exchangeable shares of Mission common stock is 41,535,088 (the number of shares Mission common stock outstanding on April 1, 2005). To the extent that the number of shares of Mission common stock outstanding increases in accordance with the merger agreement (whether as a result of the exercise of Mission stock options or otherwise), the number of exchangeable shares will increase and the aggregate transaction value will increase, but there will be no change in the per share stock consideration or per share cash consideration. Each additional exchangeable share of Mission common stock will increase the aggregate transaction value by 0.4631 shares of Petrohawk common stock and \$3.26 in cash.

Average Petrohawk Common Stock Value	Transaction Value	Per Share Stock Consideration (Shares of Petrohawk Common Stock)			Percentage of Outstanding Shares of Mission Common Stock to Receive:	
		Petrohawk Common Stock	Value of Per Share Stock Consideration	Per Share Cash Consideration	Stock Consideration	Cash Consideration
\$13.50	\$ 395,064,312	0.7046	\$ 9.5121	\$ 9.5116	65.73%	34.27%
13.25	390,255,795	0.7091	9.3956	9.3958	65.30	34.70
13.00	385,447,278	0.7138	9.2794	9.2800	64.87	35.13
12.75	380,638,761	0.7188	9.1647	9.1643	64.43	35.57
12.50	375,830,244	0.7239	9.0488	9.0485	63.97	36.03
12.25	371,021,727	0.7292	8.9327	8.9327	63.50	36.50
12.00	366,213,209	0.7347	8.8164	8.8170	63.03	36.97
11.75	361,404,692	0.7405	8.7009	8.7012	62.53	37.47
11.50	356,596,175	0.7466	8.5859	8.5854	62.03	37.97
11.25	351,787,658	0.7529	8.4701	8.4696	61.51	38.49
11.00	346,979,141	0.7594	8.3534	8.3539	60.98	39.02
10.75	342,170,624	0.7663	8.2377	8.2381	60.43	39.57
10.50	337,362,107	0.7736	8.1228	8.1223	59.86	40.14
10.25	332,553,590	0.7811	8.0063	8.0066	59.28	40.72
10.00	327,745,072	0.7891	7.8910	7.8908	58.69	41.31
9.75	322,936,555	0.7974	7.7747	7.7750	58.07	41.93
9.50	318,128,038	0.8062	7.6589	7.6593	57.44	42.56
9.25	313,319,521	0.8155	7.5434	7.5435	56.78	43.22
9.00	308,511,004	0.8253	7.4277	7.4277	56.11	43.89
8.75	303,702,487	0.8357	7.3124	7.3119	55.42	44.58
8.50	298,893,970	0.8466	7.1961	7.1962	54.70	45.30
8.25	294,085,452	0.8582	7.0802	7.0804	53.96	46.04

8.00	289,276,935	0.8706	6.9648	6.9646	53.19	46.81
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Assuming an Average Petrohawk Common Stock Value of \$11.53, which was the closing price of Petrohawk common stock on April 1, 2005, the business day prior to the announcement of the proposed merger, the merger consideration would have a value of approximately \$8.60 per share of Mission common stock. Assuming an Average Petrohawk Common Stock Value of \$ , which was the closing price of Petrohawk common stock on , 2005, the last practicable date prior to the distribution of this

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document, the merger consideration would have a value of approximately \$ \_\_\_\_\_ per share of Mission common stock. Assuming an Average Petrohawk Common Stock Value of \$ \_\_\_\_\_ based on the volume-weighted average of the closing prices per share of Petrohawk common stock during the ten consecutive trading days ended three calendar days before the mailing of this joint proxy statement/ prospectus, the merger consideration would have a value of approximately \$ \_\_\_\_\_ per share of Mission common stock.

The actual value of the cash consideration or number of shares of Petrohawk common stock that you will receive for each share of Mission common stock you may hold may differ from the hypothetical amounts shown in this example because the actual amounts will be determined after the effective time of the merger based on a formula set forth in the merger agreement and described in this document.

**No assurance can be given that the current fair market value of Petrohawk common stock will be equivalent to the fair market value of Petrohawk common stock on the date that the merger consideration is received by a Mission stockholder or at any other time. The actual fair market value of the Petrohawk common stock received by Mission stockholders will depend upon the market price of Petrohawk common stock upon receipt, which may be higher or lower than the Average Petrohawk Common Stock Value or the market price of Petrohawk common stock on the date the merger was announced, on the date this document is mailed to Mission stockholders, on the date a Mission stockholder makes an election with respect to the merger consideration, or on the date of the special meeting of Mission stockholders.**

**If You Are a Mission Stockholder, You May Receive a Different Form or Combination of Merger Consideration Than What You Elect (Page 62)**

You may elect to receive cash, shares of Petrohawk common stock or a combination of cash and Petrohawk common stock in exchange for your shares of Mission common stock. However, since Petrohawk is issuing a fixed number of shares of Petrohawk common stock and paying a fixed amount of cash (in each case subject to upward adjustment in the event that any shares of Mission common stock are issued in accordance with the merger agreement pursuant to the exercise of Mission stock options or otherwise), you cannot be certain of receiving the form or combination of consideration that you elect with respect to all of your shares of Mission common stock.

If the elections result in an oversubscription of the pool of cash or Petrohawk common stock, certain procedures for allocating cash and Petrohawk common stock will be followed by the exchange agent. See The Merger Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration; Allocations Allocation beginning on page 64 of this document.

**To Make an Election, Mission Stockholders Must Properly Complete and Deliver the Election Form (Page 62)**

If you are a Mission stockholder, you have received together with this joint proxy statement/ prospectus an election form with instructions for making cash and stock elections. You must properly complete and deliver to the exchange agent your election form along with your stock certificates (or a properly completed notice of guaranteed delivery). Do not send your stock certificates or election form with your proxy card.

Election forms and stock certificates (or a properly completed notice of guaranteed delivery) must be received by the exchange agent by the election deadline, which is 5:00 p.m., CDT, on \_\_\_\_\_, 2005. Once you tender your stock certificates to the exchange agent, you may not transfer your shares of Mission common stock until the merger is completed, unless you revoke your election by written notice to the exchange agent that is received prior to the election deadline.

If you fail to submit a properly completed election form, together with your stock certificates (or a properly completed notice of guaranteed delivery), prior to the election deadline, you will be deemed not to have made an election. As a holder making no election, you will be paid value per share equivalent to the amount paid per share to holders making elections, but you may be paid all in cash, all in Petrohawk



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common stock, or in part cash and in part Petrohawk common stock, depending on the remaining pool of cash and Petrohawk common stock available for paying merger consideration after honoring the cash elections and stock elections that other Mission stockholders have made.

If you own shares of Mission common stock in street name through a broker or other nominee and you wish to make an election, you should seek instructions from the broker or other nominee holding your shares concerning how to make your election.

If the merger agreement is not adopted and the merger and the other transactions contemplated by the merger agreement are not approved by Mission stockholders, or the stock issuance is not approved by Petrohawk stockholders, stock certificates will be returned by the exchange agent by first class mail or through book-entry transfer (in the case of shares of Mission common stock delivered in book-entry form to the exchange agent).

**The Meetings and Voting**

**Petrohawk Annual Meeting of Stockholders (Page 24)**

The Petrohawk annual meeting will be held in Houston on \_\_\_\_\_, 2005 at 10:00 a.m., CDT. At the annual meeting, you will be asked:

1. To consider and vote upon a proposal to approve the issuance of shares of common stock, par value \$0.001 per share, of Petrohawk pursuant to the Agreement and Plan of Merger, dated as of April 3, 2005, by and among Petrohawk, Petrohawk Acquisition Corporation, and Mission Resources Corporation.
2. To consider and vote upon a proposal to amend Petrohawk's certificate of incorporation to increase the number of authorized shares of common stock from 75 million shares to 125 million shares.
3. To elect two nominees to the board of directors to serve as Class I directors until their successors are duly elected or until their earlier death, resignation, or removal.
4. To consider and vote upon a proposal to amend Petrohawk's 2004 Employee Incentive Plan to increase the number of authorized shares of common stock under the plan from 2.75 million shares to 4.25 million shares.
5. To consider and vote upon a proposal to amend Petrohawk's 2004 Non-Employee Director Incentive Plan to increase the number of authorized shares of common stock under the plan from 200,000 shares to 400,000 shares.
6. To ratify the selection of Deloitte & Touche LLP as Petrohawk's independent auditors for the year ending December 31, 2005.
7. To transact any other business as may properly be brought before the annual meeting or any adjournment or postponement of the annual meeting.

You can vote at the Petrohawk annual meeting if you owned Petrohawk common stock or 8% cumulative convertible preferred stock at the close of business on \_\_\_\_\_, 2005. On that date, there were \_\_\_\_\_ shares of Petrohawk common stock outstanding and entitled to vote, approximately \_\_\_\_\_ % of which were owned and entitled to be voted by Petrohawk directors and executive officers and their affiliates. Also on that date, there were 598,271 shares of Petrohawk 8% cumulative convertible preferred stock outstanding and entitled to vote, none of which were owned by Petrohawk directors and executive officers and their affiliates. You can cast one vote for each share of Petrohawk common stock you owned on that date. Each holder of Petrohawk's 8% cumulative convertible preferred stock is entitled to one vote for every two shares of 8% cumulative convertible preferred stock owned on that date.

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Approval of the issuance of Petrohawk common stock in the merger requires the affirmative vote of a majority of the votes cast at the meeting. Broker non-votes and abstentions have no impact on this matter provided a quorum is present. Approval of the amendment to the certificate of incorporation requires the affirmative vote of holders of a majority of the outstanding shares of Petrohawk stock entitled to vote. Consequently, broker non-votes and abstentions on this matter have the effect of a vote against the matter. Each of the directors nominated to serve on Petrohawk's board of directors as Class I directors are elected by a plurality of the votes of Petrohawk's stockholders present in person or represented by written proxy at the annual meeting. Any shares not voted (whether by withholding the vote, broker non-vote or otherwise) have no impact in the election of directors, except to the extent the failure to vote for an individual results in another candidate receiving a larger number of votes.

Approval of the amendment to the 2004 Employee Incentive Plan and the amendment to the 2004 Non-Employee Director Incentive Plan requires affirmative vote of a majority of the votes cast at the meeting. Broker non-votes and abstentions on these matters have no impact, provided that a quorum is present. Although action by the stockholders on the ratification of Petrohawk's Audit Committee's selection of an independent auditor is not required, the Petrohawk Audit Committee believes that it is important to seek stockholder ratification of this appointment in light of the critical role played by the independent auditor in maintaining the integrity of financial controls and reporting.

**Mission Special Stockholder Meeting (Page 26)**

The Mission special meeting will be held in Houston, Texas on \_\_\_\_\_, 2005 at 10:00 a.m., CDT. At the special meeting, you will be asked:

1. to adopt the merger agreement and approve the merger and the other transactions contemplated by the merger agreement; and
2. to transact any other business as may properly be brought before the special meeting or any adjournment or postponement of the special meeting.

You can vote at the Mission special meeting if you owned Mission common stock at the close of business on \_\_\_\_\_, 2005. On that date, there were \_\_\_\_\_ shares of Mission common stock outstanding and entitled to vote, approximately \_\_\_\_\_% of which were owned and entitled to be voted by Mission directors and executive officers and their affiliates. Additionally, parties owning approximately 32% of Mission common stock have entered into separate voting agreements with Petrohawk and Mission pursuant to which they have agreed, among other things, to vote all shares owned by each of them in favor of the merger. You can cast one vote for each share of Mission common stock you owned on that date. In order to adopt the merger agreement and approve the merger and the other transactions contemplated by the merger agreement, the holders of a majority of the outstanding shares of Mission common stock entitled to vote must vote in favor of doing so.

**Boards of Directors Recommendations to Stockholders**

The Petrohawk board of directors believes that the merger and the issuance of Petrohawk common stock in the merger is fair to and in the best interests of the Petrohawk stockholders, and recommends that Petrohawk stockholders vote FOR the issuance of Petrohawk common stock in the merger. In addition, the Petrohawk board of directors believes that the amendments to Petrohawk's certificate of incorporation, the 2004 Non-Employee Director Incentive Plan, and the 2004 Employee Incentive Plan, the election of the persons nominated as directors to the board of directors and the ratification of Deloitte & Touche LLP as independent auditors for 2005 are in the best interests of the Petrohawk stockholders and recommends that the Petrohawk stockholders vote FOR each of these proposals.

The Mission board of directors believes that the merger is fair to and in the best interests of the Mission stockholders, and recommends that Mission stockholders vote FOR the adoption of the merger agreement and approval of the merger and the other transactions contemplated by the merger agreement.

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To review the background and reasons for the merger in greater detail see *The Merger Background of the Merger* beginning on page 34 of this document, and to review certain risks related to the merger, see *Risk Factors* beginning on page 19 of this document, *The Merger Petrohawk's Reasons for the Merger; Recommendation of the Stock Issuance in the Merger by the Petrohawk Board of Directors* beginning on page 39 of this document and *The Merger Mission's Reasons for the Merger; Recommendation of the Merger by the Mission Board of Directors* beginning on page 41 of this document. Please refer to *Proposed Amendment to Petrohawk's Certificate of Incorporation* beginning on page 106 of this document, *Election of Petrohawk Directors* beginning on page 107 of this document, *Proposed Amendment to Petrohawk's 2004 Employee Incentive Plan* beginning on page 125 of this document, *Proposed Amendment To Petrohawk's 2004 Non-Employee Director Incentive Plan* beginning on page 128 of this document, and *Ratification of Independent Auditors* beginning on page 141 of this document for a more complete discussion of the other Petrohawk proposals.

**Comparative Market Price and Dividend Information****Comparative Market Price Information (Page 98)**

Petrohawk common stock is quoted on the Nasdaq National Market under the symbol HAWK, and Mission common stock is quoted on the Nasdaq National Market under the symbol MSSN.

The following table lists the closing prices of Petrohawk common stock and Mission common stock on April 1, 2005, the last trading day before we announced the proposed merger, and on \_\_\_\_\_, 2005, the last practicable date prior to distribution of this document. The following table also presents the equivalent pro forma prices for Mission common stock on those dates, as determined by multiplying the closing prices of Petrohawk common stock on those dates by 0.7458 and \_\_\_\_\_, each representing the fraction of a share of Petrohawk common stock that Mission stockholders electing to receive Petrohawk common stock would receive in the merger for each share of Mission common stock, based on (1) a hypothetical Average Petrohawk Common Stock Value of \$11.53 which was the closing price of Petrohawk common stock on April 1, 2005, the business day prior to the announcement of the proposed merger and (2) a hypothetical Average Petrohawk Common Stock Value of \$ \_\_\_\_\_ based on the volume-weighted average of the trading sale prices per share of Petrohawk common stock during the 10 consecutive trading days ending on \_\_\_\_\_, 2005, respectively, and assuming no adjustment for oversubscriptions.

	<b>Petrohawk Common Stock</b>	<b>Mission Common Stock</b>	<b>Mission Equivalent per Share</b>
April 1, 2005	\$ 11.53	\$ 7.22	\$ 8.60
_____, 2005			

The market prices of both Petrohawk common stock and Mission common stock will fluctuate prior to the merger. You should obtain current stock price quotations for Petrohawk common stock and Mission common stock. You can get these quotations from a newspaper, on the Internet or by calling your broker.

**Dividend Policy of Petrohawk (Page 98)**

Petrohawk has never paid any cash dividends on its common stock. Petrohawk does not expect to declare or pay any cash or other dividends in the foreseeable future on its common stock. Holders of Petrohawk's 8% cumulative convertible preferred stock are entitled to receive cumulative dividends at the annual rate of \$0.74 per share when and as declared by the board of directors of Petrohawk. No dividends may be paid on Petrohawk's common stock unless all cumulative dividends due on all of the 8% cumulative convertible preferred stock have been declared and paid. Petrohawk's existing revolving credit facility restricts the payment of cash dividends on common stock and preferred stock (other than the 8% cumulative convertible preferred stock), and Petrohawk may also enter into credit agreements or other borrowing arrangements in the future that restrict the ability to declare and pay cash dividends.

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**Matters to Be Considered in Deciding How to Vote**

**Fairness Opinion of Sanders Morris Harris Inc. to the Petrohawk Board of Directors (Page 43)**

In connection with the merger, Petrohawk retained Sanders Morris Harris Inc. ( SMH ) as its financial advisor. In deciding to approve the merger agreement, the Petrohawk board of directors considered the opinion of SMH provided to the Petrohawk board of directors on April 3, 2005, that, based upon and subject to the assumptions made, matters considered, qualifications, and limitations set forth in the written opinion, as of that date, the financial consideration to be paid by Petrohawk in the merger was fair, from a financial point of view, to Petrohawk.

The full text of the written opinion of SMH, dated April 3, 2005, which sets forth, among other things, the assumptions made, matters considered, qualifications, and limitations on the review undertaken by SMH in connection with the opinion, is attached to this document as Annex B. SMH provided its opinion for the use and benefit of the Petrohawk board of directors in connection with its consideration of the merger. The SMH opinion is not a recommendation as to how any stockholder of Petrohawk or Mission should vote or act with respect to any matter relating to the merger.

**Mission's Financial Advisor and Merrill Lynch, Pierce, Fenner & Smith Incorporated's Fairness Opinion to the Mission Board of Directors (Page 51)**

Under a letter agreement dated August 19, 2002, Mission retained Petrie Parkman & Co., Inc. ( Petrie Parkman ) to act as its financial advisor. Petrie Parkman was not requested to, and did not, render an opinion to the Mission board of directors in connection with the merger. In connection with the merger, Mission retained Merrill Lynch, Pierce, Fenner & Smith Incorporated ( Merrill Lynch ) to opine on the fairness of the merger from a financial point of view. In deciding to approve the merger agreement, the Mission board of directors considered the opinion of Merrill Lynch provided to the Mission board of directors on April 3, 2005, that, as of the date of the opinion and based upon and subject to the matters set forth in its opinion, the consideration to be received by holders of Mission common stock (other than Petrohawk and its affiliates) in the merger was fair, from a financial point of view, to such holders.

The full text of the written opinion of Merrill Lynch, dated April 3, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations of the review undertaken by Merrill Lynch in rendering its opinion, is attached to this document as Annex C. Merrill Lynch provided its opinion for the information and assistance of the Mission board of directors in connection with its consideration of the transaction contemplated by the merger agreement. The Merrill Lynch opinion is not a recommendation as to how any Mission stockholder should vote on the merger.

**The Merger Generally Will Be Tax-Free to U.S. Holders and Certain Non-U.S. Holders of Mission Common Stock to the Extent They Receive Petrohawk Common Stock (Page 78)**

Based on the opinions of Porter & Hedges, L.L.P., outside counsel to Mission, and Thompson & Knight LLP, outside counsel to Petrohawk, we expect that the material U.S. federal income tax consequences of the merger to Mission stockholders that are U.S. persons will be as follows:

If you exchange Mission common stock solely for cash in the merger, you generally should recognize capital gain or loss equal to the difference between the amount of cash received and your tax basis in the stock surrendered.

If you exchange Mission common stock solely for Petrohawk common stock in the merger, you will not recognize any gain or loss, except to the extent of the cash you receive in lieu of a fractional Petrohawk share.

If you exchange Mission common stock for a combination of cash and Petrohawk common stock in the merger, you generally will recognize (i.e., take into account for tax purposes) gain (but not loss). Your gain recognized generally will equal the lesser of (1) the excess of the sum of the cash

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and the fair market value of the Petrohawk common stock received over your tax basis in the Mission stock surrendered, or (2) the amount of cash received.

Your holding period for the Petrohawk common stock received in the merger generally will include your holding period for the Mission common stock exchanged in the merger.

Your aggregate tax basis of the shares of Petrohawk common stock received in exchange for your Mission common stock pursuant to the merger will be the same as the aggregate tax basis of your Mission common stock surrendered in the merger decreased by the amount of cash received in the merger and increased by the amount of gain recognized in the merger.

If you are a non-U.S. person that owns or has owned more than 5% of the outstanding shares of Mission common stock at any time during the shorter of (1) the five-year period ending on the effective time of the merger or (2) the period during which you held such Mission common stock (referred to as the Testing Period), and you exchange your Mission common stock solely for cash, solely for Petrohawk common stock constituting 5% or less of the outstanding shares of Petrohawk common stock, or for a combination of cash and Petrohawk common stock constituting 5% or less of the outstanding shares of Petrohawk common stock immediately after the merger, we expect the U.S. federal income tax consequences to you to be as follows:

You will recognize gain or loss measured by the difference between (1) the amount of any cash received (including cash instead of a fractional share of Petrohawk common stock) and the fair market value of the Petrohawk common stock received in the merger, and (2) the adjusted tax basis in the Mission common stock you surrender in the merger.

The aggregate tax basis of the Petrohawk common stock received in the merger will equal the fair market value of such Petrohawk common stock as of the effective time of the merger.

The holding period for the Petrohawk common stock received in the merger will begin the day after the effective time of the merger.

If you are a non-U.S. person that has owned more than 5% of the outstanding shares of Mission common stock at any time during the Testing Period, and you own more than 5% of the outstanding shares of Petrohawk common stock after the merger, we expect the U.S. federal income tax consequences to you generally to be the same as previously described with respect to a U.S. person.

We expect the tax consequences to a Mission stockholder that is a non-U.S. person and who has not held more than 5% of Mission's outstanding common stock at any time during the Testing Period to be as follows:

You will not be subject to U.S. federal income tax on any gain or loss you realize if you exchange your Mission stock solely for shares of Petrohawk stock, solely for cash or for a combination of cash and Petrohawk common stock in the merger.

The aggregate tax basis of the Petrohawk common stock received in the merger will be equal to the aggregate tax basis of the Mission common stock surrendered, decreased by the amount of cash received in the merger.

The holding period for shares of Petrohawk common stock received in exchange for shares of Mission common stock in the merger will include the holding period of your Mission common stock exchanged in the merger.

Please refer to *The Merger Material U.S. Federal Income Tax Consequences* beginning on page 78 of this document for a more complete discussion of the U.S. federal income tax consequences of the merger. Determining the actual tax consequences of the merger to you may be complex and will depend on your specific situation. You should consult your tax advisor for a full understanding of the merger's tax consequences for you.

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**Mission Directors and Executive Officers Have Interests in the Merger that are in Addition to their Interests as Stockholders (Page 86)**

In considering the recommendation of the Mission board of directors with respect to the adoption of the merger agreement and the approval of the merger and the other transactions contemplated by the merger agreement, Mission stockholders should be aware that certain executive officers and directors of Mission have interests in the merger that are in addition to the interests of other stockholders of Mission generally.

**Board of Directors After the Merger (Page 87)**

After the merger, the board of directors of the combined company will have nine members, consisting of the seven current members of Petrohawk's board of directors and two members to be designated by Mission.

**The Merger is Expected to Occur in the Third Quarter of 2005 (Page 66)**

The merger will occur after all the conditions to its completion have been satisfied or, if permissible, waived. Currently, we anticipate that the merger will occur in the third quarter of 2005. However, we cannot assure you when or if the merger will occur. If the merger has not been completed on or before December 31, 2005, either Petrohawk or Mission may terminate the merger agreement unless the failure to complete the merger by that date is due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligations under the merger agreement or a material breach of the merger agreement by such party.

**Completion of the Merger is Subject to Customary Conditions (Page 67)**

The completion of the merger is subject to a number of customary conditions being met, including the adoption by Mission stockholders of the merger agreement and approval by Mission stockholders of the merger and the other transactions contemplated by the merger agreement, the approval by Petrohawk stockholders of the issuance of Petrohawk common stock in the merger and the approvals of regulatory agencies.

Where the law permits, a party to the merger agreement could elect to waive a condition to its obligation to complete the merger, even if that condition has not been satisfied. We cannot be certain when (or if) the conditions to the merger will be satisfied or waived or that the merger will be completed.

**Termination of the Merger Agreement; Fees Payable (Page 76)**

We may terminate the merger agreement by mutual written consent at any time. Either of us also may terminate the merger agreement if:

the merger is not completed on or before December 31, 2005 (although this termination right is not available to a party whose failure to fulfill any material obligations under, or material breach of, the merger agreement resulted in the failure to complete the merger by that date);

a court or other governmental entity of competent jurisdiction issues a final nonappealable order having the effect of permanently enjoining or otherwise prohibiting the merger;

the stockholders of Mission do not adopt the merger agreement and approve the merger and the other transactions contemplated by the merger agreement at the Mission stockholders' meeting;

the stockholders of Petrohawk do not approve the issuance of Petrohawk common stock in the merger at the Petrohawk stockholders' meeting;

the other party is in breach of its representations, warranties, covenants or agreements set forth in the merger agreement and the breach rises to a level that would excuse the terminating party's

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obligation to complete the merger and is not cured in 30 days or cannot be cured by December 31, 2005;

prior to obtaining the requisite approval of the Mission stockholders to adopt the merger agreement and approve the merger, there occurs a change in Mission's recommendation that its stockholders adopt the merger agreement and approve the merger and the other transactions contemplated by the merger agreement; or

prior to obtaining the requisite approval of the Mission stockholders to adopt the merger agreement and approve the merger, Mission enters into an agreement or its board recommends that Mission enter into an agreement with a third party that would result in the third party owning or controlling 10% or more of Mission's common stock or assets.

The merger agreement provides that in limited circumstances described more fully beginning on page 76 of this document, if there occurs a change in Mission's recommendation that its stockholders adopt the merger agreement and approve the merger and the other transactions contemplated by the merger agreement, or if the merger agreement is otherwise terminated after Mission shall have received a third party acquisition proposal and Mission enters into an agreement with respect to that proposal within 12 months of termination of the merger agreement then Mission will be required to pay a termination fee of \$12.5 million to Petrohawk. The effect of this termination fee could be to discourage other companies from seeking to acquire or merge with Mission prior to completion of the merger, and could cause Mission to reject any acquisition proposal from a third party which does not take into account the termination fee.

**We May Amend the Terms of the Merger and Waive Rights Under the Merger Agreement (Page 84)**

We may jointly amend the terms of the merger agreement, and either party may waive its right to require the other party to adhere to any of those terms, to the extent legally permissible. However, after the Mission stockholders adopt the merger agreement, they must approve any amendment or waiver that reduces or changes the form of the consideration that will be received by them, changes any term of the certificate of incorporation of Merger Sub or adversely affects the Mission stockholders.

**Appraisal Rights (Page 86)**

Shares of Mission common stock outstanding immediately prior to the effective time of the merger and held by a holder who has not voted in favor of, or consented in writing to, the adoption of the merger agreement and approval of the merger and the other transactions contemplated by the merger agreement and who has delivered a written demand for appraisal of such shares in accordance with Section 262 of the DGCL will not be converted into the right to receive the merger consideration, unless and until the dissenting holder fails to perfect or effectively withdraws or otherwise loses his or her right to appraisal and payment under the DGCL. If, after the effective time of the merger, a dissenting stockholder fails to perfect or effectively withdraws or loses his or her right to appraisal, his or her shares of Mission common stock will be treated as if they had been converted as of the effective time of the merger into the right to receive the merger consideration without interest or dividends thereon.

**Petrohawk will Account for the Merger Using the Purchase Method of Accounting (Page 86)**

Petrohawk will account for the merger as a purchase for financial reporting purposes.

**Comparison of the Rights of Mission Stockholders and Petrohawk Stockholders (Page 99)**

Mission stockholders who do not receive solely cash consideration in the merger will become Petrohawk stockholders upon the effective time of the merger, and their rights as such will be governed by Petrohawk's certificate of incorporation and bylaws. See Comparison of Rights of Holders of Petrohawk Common Stock and Mission Common Stock beginning on page 99 for a description of the material differences between the rights of Petrohawk stockholders and Mission stockholders.

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**PETROHAWK ENERGY CORPORATION**  
**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA**

Set forth below are highlights from Petrohawk's consolidated financial data as of and for the years ended December 31, 2000 through 2004. This information should be read together with Petrohawk's consolidated financial statements and related notes included in Petrohawk's Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference in this document and from which this information is derived.

**Year Ended December 31,**

**2004                      2003                      2002                      2001                      2000**

**(Thousands of dollars, except per share amounts)**

**Statement of Operations Data**

Revenues	\$ 33,577	\$ 12,925	\$ 9,648	\$ 13,656	\$ 8,358
Costs and expenses	24,331	11,935	16,530	26,206	6,638
Income before taxes	9,246	990	(6,882)	(12,550)	1,720
Income tax provision	(1,129)	(24)		3,504	(294)

Income before cumulative effect of change in accounting method	8,117	966	(6,882)	(9,046)	1,426
Cumulative effect of change in accounting method, net of tax(1)		1			

Net income	\$ 8,117	\$ 967	\$ (6,882)	\$ (9,046)	\$ 1,426
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**Basic earnings (loss) per share:**

Income before cumulative effect of change in accounting method	\$ 0.71	\$ 0.08	\$ (1.18)	\$ (1.50)	0.26
Cumulative effect, net of tax(1)					

Net income	\$ 0.71	\$ 0.08	\$ (1.18)	\$ (1.50)	\$ 0.26
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**Diluted earnings (loss) per share:**

Income before cumulative effect of change in accounting method	\$ 0.36	\$ 0.08	\$ (1.18)	\$ (1.50)	\$ 0.26
Cumulative effect, net of tax(1)					

Net income	\$ 0.36	\$ 0.08	\$ (1.18)	\$ (1.50)	\$ 0.26
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**Weighted average shares outstanding:**

Basic	10,808	6,216	6,209	6,184	5,308
Diluted	25,690	6,253	6,209	6,184	5,641

**Balance Sheet Data**

Property, plant and equipment, net	\$ 486,164	\$ 41,428	\$ 41,684	\$ 48,154	\$ 53,121
Total assets	534,199	46,115	44,753	52,629	58,466

**Long-term obligations:**

Long-term debt, net of current portion	239,500	13,285	13,635	13,649	13,814
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Deferred income taxes					3,526
Asset retirement obligations	12,726	1,063			
Other noncurrent liabilities	7,716				
Shareholders' equity	247,091	29,270	28,048	35,874	40,060
Ratio of debt-to-book capital(2)	49%	31%	33%	28%	26%
<b>Other Financial Data</b>					
Net cash provided by operating activities	\$ 19,858	\$ 5,793	\$ 4,386	\$ 9,047	\$ 3,229
Interest expense, net	2,965	476	558	868	393

(1) Cumulative effect of change in accounting method for 2003 relates to the adoption of SFAS No. 143, Asset Retirement Obligations, on January 1, 2003.

(2) Defined as Petrohawk's total debt divided by total debt plus its shareholders' equity.

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**MISSION RESOURCES CORPORATION**  
**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA**

Set forth below are highlights from Mission's consolidated financial data as of and for the years ended December 31, 2000 through 2004. This information should be read together with Mission's consolidated financial statements and related notes included in Mission's Annual Report on Form 10-K/A for the year ended December 31, 2004, which are incorporated by reference in this document and from which this information is derived.

**Year Ended December 31,**

	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>(Thousands of dollars, except per share amounts)</b>					
<b>Statement of Operations Data</b>					
Revenues	\$ 125,640	\$ 123,974	\$ 105,464	\$ 142,077	\$ 119,280
Costs and expenses	120,926	117,513	155,528	179,310	99,294
Income before taxes	4,714	6,461	(50,064)	(37,233)	19,986
Income tax provision	(1,765)	(2,358)	11,580	9,055	12,222
Income before cumulative effect of change in accounting method	2,949	4,103	(38,484)	(28,178)	32,208
Cumulative effect of change in accounting method, net of tax(1)		(1,736)		(2,767)	
Net income	\$ 2,949	\$ 2,367	\$ (38,484)	\$ (30,945)	\$ 32,208
<b>Basic earnings (loss) per share:</b>					
Income before cumulative effect of change in accounting method	\$ 0.08	\$ 0.17	\$ (1.63)	\$ (1.41)	\$ 2.32
Cumulative effect, net of tax(1)		(0.07)		(0.13)	
Net income	\$ 0.08	\$ 0.10	\$ (1.63)	\$ (1.54)	\$ 2.32
<b>Diluted earnings (loss) per share:</b>					
Income before cumulative effect of change in accounting method	\$ 0.07	\$ 0.17	\$ (1.63)	\$ (1.41)	\$ 2.27
Cumulative effect, net of tax(1)		(0.07)		(0.13)	
Net income	\$ 0.07	\$ 0.10	\$ (1.63)	\$ (1.54)	\$ 2.27
<b>Weighted average shares outstanding:</b>					
Basic	38,529	23,696	23,586	20,051	13,899
Diluted	40,456	24,737	23,836	20,241	14,175
<b>Balance Sheet Data</b>					
Property, plant and equipment, net	\$ 337,927	\$ 302,128	\$ 300,719	\$ 379,738	\$ 148,936
Total assets	377,903	357,326	342,404	447,764	221,545

<b>Long-term obligations:</b>					
Long-term debt, net of current portion	170,000	198,496	226,431	261,695	125,450
Deferred income taxes	20,003	20,346	16,946	31,177	
Asset retirement obligations	35,366	32,157			
Other noncurrent liabilities	1,482	210	2,176	6,068	1,689
Shareholders' equity	112,005	74,940	65,377	110,240	56,960
Ratio of debt-to-book capital(2)	60%	73%	78%	70%	69%
<b>Other Financial Data</b>					
Net cash provided by operating activities	\$ 58,678	\$ 18,889	\$ 7,222	\$ 40,358	\$ 60,108
Interest expense, net	19,792	25,429	26,753	23,298	15,099

(1) Cumulative effect of change in accounting method for 2003 relates to the adoption of SFAS No. 143, Asset Retirement Obligations, on January 1, 2003. Cumulative effect of change in accounting method for 2001 relates to the adoption of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, on January 1, 2001.

(2) Defined as Mission's total debt divided by total debt plus its shareholders' equity.

**Table of Contents****SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA**

The following table shows information about Petrohawk's financial condition and results of operations, including per share data and financial ratios, on a pro forma basis after giving effect to the disposition of certain royalty interest properties and acquisition of Proton Oil & Gas Corporation in February 2005 and the merger with Mission. This information is called pro forma financial information in this document. The table sets forth the information as if these transactions had become effective on December 31, 2004 (using currently available fair value information), with respect to balance sheet data, and January 1, 2004, with respect to statement of operations data. This unaudited pro forma financial information assumes that the transactions will be accounted for using the purchase method of accounting and represents a current estimate based on available information of the combined company's results of operations. The unaudited pro forma financial information includes adjustments to record the assets and liabilities of Mission and Proton at their estimated fair values and is subject to further adjustment as additional information becomes available and as additional analyses are performed.

The merger agreement was announced on April 4, 2005 and provides for Petrohawk to issue approximately 19.234 million shares of common stock and \$135.4 million in cash as consideration to Mission common stockholders (in each case subject to upward adjustment in the event that any shares of Mission common stock are issued in accordance with the merger agreement pursuant to the exercise of Mission stock options or otherwise). This table should be read together with, and is qualified in its entirety by, the historical financial statements, including the notes thereto, of Petrohawk and Mission incorporated by reference in this joint proxy statement/ prospectus and the more detailed unaudited pro forma condensed combined financial information, including the notes thereto, appearing under Unaudited Pro Forma Condensed Combined Financial Information beginning on page 90.

The unaudited pro forma financial information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of possible revenue enhancements, expense efficiencies, asset dispositions and share repurchases, among other factors that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during these periods.

**Selected Unaudited Pro Forma Condensed Combined Financial Data****As of December 31, 2004****(in thousands)****Pro Forma Balance Sheet Data**

Total Assets	\$1,306,558
Long-term Debt	\$ 517,500
Shareholders' Equity	\$ 476,592

**For the Year Ended  
December 31, 2004****(in thousands, except per share data)****Pro Forma Statement of Operations Data**

Revenues	\$271,761
Income from Operations	\$ 85,338
Income from Operations Per Share:	
Basic	\$ 0.58
Diluted	\$ 0.39



**Table of Contents****Comparative Per Share Data**

The following table sets forth certain historical per share data of Petrohawk and Mission and per share data on an unaudited pro forma combined basis after giving effect to the merger:

**For the Year Ended  
December 31, 2004**

**Petrohawk Historical Per Share Data:**

Income From Operations (in thousands)	\$ 8,117
Basic(a)	\$ 0.71
Diluted(b)	\$ 0.36
Book value(c)	\$ 9.62

**Mission Historical Per Share Data:**

Income From Operations (in thousands)	\$ 2,949
Basic(a)	\$ 0.08
Diluted(b)	\$ 0.07
Book value(c)	\$ 2.77

**Pro Forma Combined Company Per Share Data:**

Income From Operations (in thousands)	\$85,338
Basic(d)	\$ 0.58
Diluted(d)	\$ 0.39
Book value(e)	\$ 11.06

- (a) Based on weighted average number of shares of common stock outstanding for Petrohawk and Mission for such period, respectively.
- (b) Based on the weighted average number of shares of common stock outstanding plus the potential dilution that would occur if interests in securities (options and other convertible securities) were exercised and converted into common stock of Petrohawk or Mission for such period.
- (c) Computed by dividing shareholders' equity by the weighted average number of shares of common stock at the end of such period plus the weighted average dilutive effect of interests in securities (options and other convertible securities).
- (d) Based on the pro forma combined income from operations from the Unaudited Pro Forma Condensed Combined Financial Information beginning on page 90 of this document which gives effect to the merger under the purchase method of accounting.
- (e) Computed by dividing shareholders' equity by the weighted average number of outstanding shares of Petrohawk common stock at the end of such period, adjusted to include the estimated number of shares of Petrohawk common stock to be issued in the merger plus the weighted average dilutive effect of interests in securities (options and other convertible securities) at the end of such period.

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**RISK FACTORS**

In addition to the other information contained in or incorporated by reference into this document, including, without limitation, Petrohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, and Mission's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004, you should carefully consider the following risk factors in deciding whether to vote to approve the stock issuance or adopt the merger agreement and approve the merger and the other transactions contemplated by the merger agreement, as the case may be.

***We may not be able to successfully integrate the businesses of Petrohawk and Mission following the merger.***

The success of the merger depends in large part upon our ability to integrate our organizations, operations, systems and personnel. The integration of two previously independent companies is a challenging, time-consuming and costly process. Petrohawk and Mission have operated and, until the effective time of the merger, will continue to operate, independently. Petrohawk has grown rapidly through recent acquisitions and will be required to integrate its recent acquisitions with Mission. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with suppliers, customers and employees or to achieve the anticipated benefits of the merger. In addition, successful integration of the companies will require the dedication of significant management resources, which will temporarily detract attention from the day-to-day businesses of the combined company. If we are not able to integrate our organizations, operations, systems and personnel in a timely and efficient manner, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

***The costs of the merger could adversely affect the combined company's operating results.***

Petrohawk and Mission estimate the total merger-related costs, exclusive of employee severance and benefit costs, to be approximately \$14 million, primarily consisting of investment banking, legal and accounting fees and financial printing and other related charges. The foregoing estimate is preliminary and is subject to change. In addition, the combined company will incur certain expenses in connection with the integration of Petrohawk's and Mission's businesses.

***Mission's directors and executive officers have interests in the merger in addition to those of the Mission stockholders.***

In considering the recommendations of the Mission board of directors with respect to the merger agreement, you should be aware that Mission's directors and executive officers have financial and other interests in the merger in addition to their interests as Mission stockholders. The receipt of compensation or other benefits in connection with the merger (including severance payments and the accelerated vesting of stock options) may have influenced these directors and executive officers in making their recommendations to adopt the merger agreement and approve the merger and the other transactions contemplated by the merger agreement. You should consider these interests in connection with your vote on the merger, including whether these interests may have influenced these directors and executive officers to recommend or support the merger. For a detailed description of the interests of the directors and executive officers of Mission, see "The Merger - Financial Interests of Mission's Directors and Executive Officers in the Merger" beginning on page 86 of this document.

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***Failure to complete the merger or delays in completing the merger could negatively impact Petrohawk's and Mission's stock prices and future business and operations.***

If the merger is not completed for any reason, Petrohawk and Mission may be subject to a number of material risks, including the following:

the individual companies will not realize the benefits expected from the merger, including a potentially enhanced financial and competitive position;

under certain circumstances, Mission may be required to pay Petrohawk a termination fee of \$12.5 million;

the price of Petrohawk common stock or Mission common stock may decline to the extent that the current market price of the common stock reflects a market assumption that the merger will be completed; and

some costs relating to the merger, such as certain investment banking fees and legal and accounting fees, must be paid even if the merger is not completed.

In addition, current and prospective employees of Petrohawk and Mission may experience uncertainty about their future roles with the companies until after the merger is completed or if the merger is not completed. This may adversely affect the ability of Petrohawk and Mission to attract and retain key personnel.

***Because the market price of Petrohawk common stock will fluctuate, Mission stockholders cannot be sure of the value of the merger consideration they will receive.***

Upon the effective time of the merger, each share of Mission common stock will be converted into the right to receive merger consideration consisting of shares of Petrohawk common stock or cash, pursuant to the terms of the merger agreement. The value of the merger consideration to be received by Mission stockholders will be based on the volume-weighted average of the closing sale prices per share of Petrohawk common stock during the 10 consecutive trading day period ending on the third calendar day prior to the effective time of the merger. This average price may vary from the market price of Petrohawk common stock on the date the merger was announced, on the date that this document is mailed to Mission stockholders, on the date a Mission stockholder makes an election with respect to the merger consideration or on the date of the special meeting of Mission stockholders. Because Petrohawk is issuing a fixed amount of shares as part of the merger consideration (in each case subject to upward adjustment in the event that any shares of Mission common stock are issued in accordance with the merger agreement pursuant to the exercise of Mission stock options or otherwise), and because the provisions of the merger agreement operate to substantially equalize the value of the consideration to be received for each share of Mission common stock at the time the calculation is made, any change in the price of Petrohawk common stock prior to the effective time of the merger will affect the value of the merger consideration that you will receive upon the effective time of the merger, regardless of whether you elect to receive cash, stock or a combination of cash and stock, or do not make an election. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in oil and natural gas prices, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond our control.

Accordingly, at the time of the Mission special meeting, Mission stockholders will not know or be able to calculate the amount of any cash consideration they would receive with respect to each share of Mission common stock or the exchange ratio used to determine the number of any shares of Petrohawk common stock they would receive with respect to each share of Mission common stock upon the effective time of the merger.



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***The market price of the shares of Petrohawk common stock and the results of operations of Petrohawk after the merger may be affected by factors different from those affecting Mission or Petrohawk currently.***

The businesses of Petrohawk and Mission differ in some respects and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations and market prices of each of Petrohawk or Mission. For a discussion of the businesses of Petrohawk and Mission and of certain factors to consider in connection with those businesses, see the documents incorporated by reference in this document and referred to under "Where You Can Find More Information" beginning on page 142 of this document.

***Petrohawk stockholders will be diluted by the merger.***

The merger will dilute the ownership position of the current stockholders of Petrohawk. Based on the number of shares of Mission common stock outstanding as of April 1, 2005, Petrohawk would issue to Mission stockholders approximately 19.234 million shares of Petrohawk common stock in the merger (subject to upward adjustment in the event that any shares of Mission common stock are issued in accordance with the merger agreement pursuant to the exercise of Mission stock options or otherwise). As a result, Petrohawk stockholders and Mission stockholders would hold approximately 67.6% and 32.4%, respectively, of the combined company's common stock outstanding after the completion of the merger.

***Mission stockholders may receive a form or combination of consideration different from what they elect.***

While each Mission stockholder may elect to receive all cash, all Petrohawk common stock or a combination of cash and Petrohawk common stock in the merger, the pools of cash and Petrohawk common stock available for all Mission stockholders will be fixed amounts (in each case subject to upward adjustment in the event that any shares of Mission common stock are issued in accordance with the merger agreement pursuant to the exercise of Mission stock options or otherwise). Accordingly, depending on the elections made by other Mission stockholders, if you elect to receive all cash in the merger, you may receive a portion of your consideration in Petrohawk common stock and if you elect to receive all Petrohawk common stock in the merger, you may receive a portion of your consideration in cash. If you elect to receive a combination of cash and Petrohawk common stock in the merger, you may receive cash and Petrohawk common stock in a proportion different from what you elected. If a Mission stockholder does not submit a properly completed and signed election form to the exchange agent by the election deadline, then such stockholder will have no control over the type of merger consideration such stockholder may receive, and, consequently, may receive only cash, only Petrohawk common stock, or a combination of cash and Petrohawk common stock in the merger.

***If you tender shares of Mission common stock to make an election, you will not be able to sell those shares unless you revoke your election prior to the election deadline.***

If you are a Mission stockholder and want to make a cash or stock election, you must deliver your stock certificates (or follow the procedures for guaranteed delivery) and a properly completed and signed election form to the exchange agent. The deadline for doing this is 5:00 p.m., CDT, on \_\_\_\_\_, 2005. You will not be able to sell any shares of Mission common stock that you have delivered unless you revoke your election before the deadline by providing written notice to the exchange agent. If you do not revoke your election, you will not be able to liquidate your investment in Mission common stock for any reason until you receive cash or Petrohawk common stock in the merger. In the time between delivery of your shares and the closing of the merger, the market price of Mission or Petrohawk common stock may decrease, and you might otherwise want to sell your shares of Mission to gain access to cash, make other investments, or reduce the potential for a decrease in the value of your investment.

**Table of Contents*****If the merger is completed, the date that you will receive your merger consideration is uncertain.***

If the merger is completed, the date that you will receive your merger consideration depends on the completion date of the merger, which is uncertain. While we expect to complete the merger in the third quarter of 2005, the completion date of the merger might be later than expected due to unforeseen events.

***If Petrohawk or Mission fails to obtain all required consents and approvals, third parties may terminate or alter existing contracts.***

Petrohawk's obligation to consummate the merger is conditioned, among other things, upon receipt of all material consents and approvals that Mission is required to obtain in connection with the merger, except for such consents and approvals the failure of which to be obtained individually or in the aggregate would not be reasonably likely to have or result in a material adverse effect on Mission. Certain agreements between Mission and its suppliers, customers or other business partners may require the consent or approval of these other parties in connection with the merger. Petrohawk and Mission have agreed to use reasonable best efforts to secure any necessary consents and approvals. However, we cannot assure you that Petrohawk and/or Mission will be able to obtain all the necessary consents and approvals. If these consents and approvals are not obtained and Petrohawk elects to waive the closing condition relating to receipt of material consents, the failure to have obtained such consents or approvals could have a material adverse effect on the business of the combined company after the merger.

***A significant decline in Petrohawk's stock price may prevent tax counsel from issuing an opinion that the merger constitutes a reorganization under Section 368(a) of the Internal Revenue Code, which is a condition to closing the merger.***

The completion of the merger is conditioned on, among other things, the receipt of opinions from tax counsel for Petrohawk and Mission that the merger will qualify as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended. The opinions will not be delivered unless the value, at the effective time of the merger, of the Petrohawk stock issued in the merger constitutes 40% or more of the value of the combined merger consideration. In addition to the market value of Petrohawk's common stock at the effective time of the merger, various factors affect this determination, including the amount, if any, to be paid to Mission stockholders who perfect their appraisal rights. Accordingly, it is not possible to state with certainty the minimum trading price of the Petrohawk common stock that would cause the value of the Petrohawk common stock to be received in the merger to be equal to at least 40% of the value of the combined merger consideration as of the consummation of the merger.

If the tax opinions cannot be delivered at closing or the conclusions in the tax opinions delivered are materially different from the opinions described herein, either party may terminate the merger; however, if neither party terminates the merger, we will resolicit stockholder approval. Further, if the parties waive the condition that they receive such opinions, we will resolicit stockholder approval if the change in tax consequences is material.

***Foreign persons who own or have owned a significant amount of Mission common stock may be subject to U.S. federal income tax on gain realized upon the exchange of their Mission stock in the merger.***

If a foreign stockholder owns or has owned more than 5% of Mission's common stock at any time during the last five years, then gain realized by such person upon the exchange of Mission common stock in the merger may be subject to U.S. federal income tax. See Material U.S. Federal Income Tax Consequences; U.S. Federal Income Tax Consequences to Non-U.S. Persons; Non-U.S. Persons That Currently Hold or Have Held More than 5% of Mission's Common Stock.

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**FORWARD-LOOKING STATEMENTS**

This joint proxy statement/ prospectus, including information included or incorporated by reference in this document, contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, intentions, future performance and business of each of Petrohawk and Mission and other statements that are not historical facts, as well as certain information relating to the merger, including, without limitation:

statements relating to the benefits of the merger, including the cost savings and accretion to reported earnings estimated to result from the merger;

statements relating to revenues, production and expenses of the combined company after the merger; and

statements preceded by, followed by or that include the words believes, anticipates, plans, predicts, expects, envisions, hopes, estimates, intends, will, continue, may, potential, should, confident, could expressions.

These forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the factors discussed under Risk Factors beginning on page 19 of this document, as well as the following factors:

the possibility that the companies may be unable to obtain stockholder approvals required for the merger;

the possibility that problems may arise in successfully integrating the businesses of the two companies;

the possibility that the merger may involve unexpected costs;

the possibility that the combined company may be unable to achieve cost-cutting synergies;

the possibility that the businesses may suffer as a result of uncertainty surrounding the merger;

the possibility that the industry may be subject to future regulatory or legislative actions;

the volatility in commodity prices for oil and gas;

the presence or recoverability of estimated oil and gas reserves;

the ability to replace oil and gas reserves;

environmental risks;

drilling and operating risks;

exploration and development risks;

competition;

the ability of the combined company's management to execute its plans to meet its goals;

general economic conditions, whether internationally, nationally or in the regional and local market areas in which Petrohawk and Mission are doing business, may be less favorable than expected; and

other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors may negatively impact our businesses, operations or pricing.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in reports filed with the SEC by Petrohawk and Mission. See [Where You Can Find More Information](#) beginning on page 142 of this document.

Forward-looking statements speak only as of the date of this joint proxy statement/ prospectus or the date of any document incorporated by reference in this document. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this joint proxy statement/ prospectus and attributable to Petrohawk or Mission or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, neither Petrohawk nor Mission undertakes any obligation to update forward-looking statements to reflect events or circumstances after the date of this joint proxy statement/ prospectus or to reflect the occurrence of unanticipated events.

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**PETROHAWK ANNUAL MEETING**

**General**

This joint proxy statement/ prospectus is being furnished to Petrohawk stockholders in connection with the solicitation of proxies by the Petrohawk board of directors to be used at the annual meeting of stockholders to be held at Petrohawk's offices, 1100 Louisiana St., Suite 4400, Houston, Texas 77002, on \_\_\_\_\_, 2005 at 10:00 a.m., CDT, and at any adjournment or postponement of that meeting. This joint proxy statement/ prospectus and the enclosed form of proxy are being sent to Petrohawk stockholders on or about \_\_\_\_\_, 2005.

**Record Date and Voting**

The Petrohawk board of directors has fixed the close of business on \_\_\_\_\_, 2005 as the record date for determining the holders of shares of Petrohawk common stock and shares of 8% cumulative convertible preferred stock entitled to receive notice of and to vote at the Petrohawk annual meeting and any adjournments or postponements thereof. Only holders of record of shares of Petrohawk common stock and 8% cumulative convertible preferred stock at the close of business on that date will be entitled to vote at the Petrohawk annual meeting and at any adjournment or postponement of that meeting. At the close of business on the record date, there were \_\_\_\_\_ shares of Petrohawk common stock outstanding, held by approximately \_\_\_\_\_ holders of record, and shares of 8% cumulative convertible preferred stock outstanding, held by approximately \_\_\_\_\_ holders of record.

Each holder of shares of Petrohawk common stock outstanding on the record date will be entitled to one vote for each share held of record, and each holder of shares of Petrohawk 8% cumulative convertible preferred stock outstanding on the record date will be entitled to one vote for every two shares of 8% cumulative convertible preferred stock, upon each matter properly submitted at the Petrohawk annual meeting and at any adjournment or postponement thereof. In order for Petrohawk to satisfy its quorum requirements, the holders of at least a majority of the total number of outstanding shares of Petrohawk common stock and preferred stock entitled to vote at the meeting must be present. You will be deemed to be present if you attend the meeting or if you submit a proxy card (including through the Internet or telephone) that is received at or prior to the meeting (and not revoked).

If your proxy card is properly executed and received by Petrohawk in time to be voted at the Petrohawk annual meeting, the shares represented by your proxy card (including those given through the Internet or by telephone) will be voted in accordance with the instructions that you mark on your proxy card. If you execute your proxy but do not provide Petrohawk with any instructions, your shares will be voted **FOR** the proposals set forth in the notice of annual meeting. If your shares are held in **street name** by your broker or other nominee and you do not provide that holder with instructions on how to vote your shares, your broker or other nominee will be permitted to vote your shares only on the election of directors and the ratification of independent auditors and not on the other proposals to be voted on at the annual meeting.

The only matters that we expect to be presented at the Petrohawk annual meeting are set forth in the notice of annual meeting. If any other matters properly come before the Petrohawk annual meeting, the persons named in the proxy card will vote the shares represented by all properly executed proxies on such matters in their best judgment.

**Quorum; Vote Required**

The approval of the issuance of Petrohawk common stock in the merger and the amendments to the 2004 Employee Incentive Plan and 2004 Non-Employee Director Incentive Plan require the affirmative vote of a majority of the votes cast at the meeting. If you vote in person or by proxy at the Petrohawk annual meeting, you will be counted for purposes of determining whether there is a quorum at the meeting. Shares of Petrohawk common stock and preferred stock present in person or by proxy at the Petrohawk annual meeting that are entitled to vote but are not voted and broker non-votes will be counted

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for the purpose of determining whether there is a quorum for the transaction of business at the Petrohawk annual meeting. A broker non-vote occurs when a bank, broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

The required vote of Petrohawk stockholders on the stock issuance and amendment of the 2004 Employee Incentive Plan and 2004 Non-Employee Director Incentive Plan is based upon the number of shares that are actually voted. Accordingly, assuming a quorum is present, the failure of a Petrohawk stockholder to vote or a decision by a Petrohawk stockholder to abstain will have no effect in determining whether the stock issuance is approved. Approval of the amendment to Petrohawk's certificate of incorporation requires the affirmative vote of a majority of the outstanding shares of Petrohawk common stock and preferred stock entitled to vote. Accordingly, the failure of a Petrohawk stockholder to submit a proxy card or to vote in person, or a decision by a Petrohawk stockholder to abstain from voting, with respect to the proposed amendment of Petrohawk's certificate of incorporation will have the effect of a vote against approval of the amendment to the certificate of incorporation.

Approval of the ratification of Deloitte & Touche LLP as independent auditors for 2005 requires the affirmative vote of a majority of the shares present and entitled to vote at a meeting at which a quorum is present. Accordingly, assuming a quorum is present at the annual meeting, the failure of a Petrohawk stockholder to vote or a decision by a Petrohawk stockholder to abstain will have no effect in determining whether the ratification of Deloitte & Touche LLP is approved.

The election of directors is by a plurality of affirmative votes cast at a meeting at which a quorum is present, and, assuming a quorum is present at the annual meeting, the failure of a Petrohawk stockholder to vote or a decision by a Petrohawk stockholder to abstain will have no effect in determining the election of directors.

As of the record date:

Petrohawk directors and executive officers and their affiliates owned and were entitled to vote approximately \_\_\_\_\_ shares of Petrohawk common stock, representing approximately \_\_\_\_\_ of the outstanding shares of Petrohawk common stock; and

Mission directors and executive officers and their affiliates did not own any shares of Petrohawk common stock or preferred stock.

We currently expect that Petrohawk's directors and executive officers will vote their shares of Petrohawk common stock FOR all proposals set forth in the notice of annual meeting.

### **Revocability of Proxies**

The presence of a stockholder at the Petrohawk annual meeting will not automatically revoke that stockholder's proxy. However, a stockholder may revoke a proxy at any time prior to its exercise by:

submitting a written revocation prior to the annual meeting to David S. Elkouri, Secretary, Petrohawk Energy Corporation, 1100 Louisiana St., Suite 4400, Houston, Texas, 77002;

submitting another proxy prior to the annual meeting by telephone, via the Internet or by mail that is dated later than the original proxy; or

attending the Petrohawk annual meeting and voting in person.

If your shares are held of record by a broker or other nominee, you must follow the instructions on the form you receive from your broker or other nominee with respect to changing or revoking your proxy.

### **Voting Electronically or by Telephone**

Petrohawk stockholders of record and many stockholders who hold their shares through a broker or other nominee will have the option to submit their proxy cards or voting instruction cards electronically

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through the Internet or by telephone. Please note that there are separate arrangements for using the Internet and telephone depending on whether your shares are registered in Petrohawk's stock records in your name or in the name of a broker or other nominee. If you hold your shares through a broker or other nominee, you should check your proxy card or voting instruction card forwarded by your broker or other nominee to see which voting options are available.

Petrohawk stockholders of record may submit their proxies:

through the Internet by visiting a website established for that purpose at *http://www. .com* and following the instructions; or

by telephone by calling the toll-free number 1-800- in the U.S., Puerto Rico, Canada or Mexico on a touch-tone phone and following the recorded instructions.

## **Solicitation of Proxies**

In addition to solicitation by mail, directors, officers and employees of Petrohawk may solicit proxies for the annual meeting from Petrohawk stockholders personally or by telephone and other electronic means without additional remuneration for soliciting such proxies. We will provide persons, firms, banks and corporations holding shares in their names or in the names of nominees, which in either case are beneficially owned by others, proxy material for transmittal to such beneficial owners and will reimburse such record owners for their expenses in taking such actions. We have also made arrangements with Georgeson Shareholder Communications, Inc. to assist us in soliciting proxies and have agreed to pay them \$7,500, plus reasonable expenses, for these services. Petrohawk and Mission will equally share the expenses incurred in connection with the printing and mailing of this document.

## **MISSION SPECIAL MEETING**

### **General**

This joint proxy statement/ prospectus is being furnished to Mission stockholders in connection with the solicitation of proxies by the Mission board of directors to be used at the special meeting of stockholders to be held on , 2005 at 10:00 a.m., CDT, at the Four Seasons Hotel, 1300 Lamar St., Houston, Texas 77010, and at any adjournment or postponement of that meeting. This joint proxy statement/ prospectus and the enclosed form of proxy are being sent to Mission stockholders on or about , 2005.

### **Record Date and Voting**

The Mission board of directors has fixed the close of business on , 2005 as the record date for determining the holders of shares of Mission common stock entitled to receive notice of and to vote at the special meeting and any adjournment or postponement thereof. Only holders of record of shares of Mission common stock at the close of business on that date will be entitled to vote at the special meeting and at any adjournment or postponement of that meeting. At the close of business on the record date, there were shares of Mission common stock outstanding, held by approximately holders of record.

Each holder of shares of Mission common stock outstanding on the record date will be entitled to one vote for each share held of record upon each matter properly submitted at the special meeting and at any adjournment or postponement thereof. In order for Mission to satisfy its quorum requirements, the holders of at least a majority of the total number of outstanding shares of Mission common stock entitled to vote at the meeting must be present. You will be deemed to be present if you attend the meeting or if you submit a proxy card (including through the Internet or telephone) that is received at or prior to the meeting (and not revoked).

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If your proxy card is properly executed and received by Mission in time to be voted at the special meeting, the shares represented by your proxy card (including those given through the Internet or by telephone) will be voted in accordance with the instructions that you mark on your proxy card. If you execute your proxy but do not provide Mission with any instructions, your shares will be voted FOR the adoption of the merger agreement and approval of the merger and the other transactions contemplated by the merger agreement. If your shares are held in street name by your broker or other nominee and you do not provide that holder with instructions on how to vote your shares, your broker or other nominee will not be permitted to vote your shares, which will have the same effect as a vote against the merger.

The only matters that we expect to be presented at the special meeting are the adoption of the merger agreement and the approval of the merger and the other transactions contemplated by the merger agreement. If any other matters properly come before the special meeting, the persons named in the proxy card will vote the shares represented by all properly executed proxies on such matters in their discretion.

**Quorum; Vote Required**

Adoption of the merger agreement and approval of the merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Mission common stock. If you vote in person or by proxy at the special meeting, you will be counted for purposes of determining whether there is a quorum at the special meeting. Shares of Mission common stock present in person or by proxy at the special meeting that are entitled to vote but are not voted and broker non-votes will be counted for the purpose of determining whether there is a quorum for the transaction of business at the special meeting. A broker non-vote occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

The required vote of Mission stockholders on the merger is based upon the number of outstanding shares of Mission common stock, and not the number of shares that are actually voted. Accordingly, the failure to submit a proxy card or to vote in person at the special meeting, or a decision by a Mission stockholder to abstain from voting, will have the same effect as an AGAINST vote with respect to this matter.

As of the record date:

Mission directors and executive officers and their affiliates owned and were entitled to vote approximately 258,000 shares of Mission common stock, representing less than 1% of the outstanding shares of Mission common stock.

Petrohawk directors and executive officers and their affiliates did not own and were not entitled to vote any shares of Mission common stock.

Harbert Distressed Investment Master Fund, Ltd., Stellar Funding, Ltd., and Guggenheim Capital, LLC, have entered into separate voting agreements with Petrohawk and Mission pursuant to which they have agreed, among other things, to vote all shares of Mission common stock owned by each of them in favor of the merger. The voting agreements also grant an irrevocable proxy to Petrohawk empowering it to vote all such shares of Mission common stock at any meeting of Mission's stockholders called for the purpose of voting on the merger. As of April 1, 2005, such stockholders collectively own 13,264,905 shares, or approximately 32%, of the issued and outstanding common stock of Mission.

We currently expect that Mission's directors and executive officers will vote their shares FOR adoption of the merger agreement and approval of the merger and the other transactions contemplated by the merger agreement, although none of them has entered into any agreement obligating them to do so.



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**Revocability of Proxies**

The presence of a stockholder at the special meeting will not automatically revoke that stockholder's proxy. However, a stockholder may revoke a proxy at any time prior to its exercise by:

submitting a written revocation prior to the special meeting to Leslee M. Ranly, Secretary, Mission Resources Corporation, 1331 Lamar St., Suite 1455, Houston, Texas 77010;

submitting another proxy prior to the special meeting by telephone, via the Internet or by mail that is dated later than the original proxy; or

attending the special meeting and voting in person.

If your shares are held of record by a broker or other nominee, you must follow the instructions on the form you receive from your broker or other nominee with respect to changing or revoking your proxy.

**Voting Electronically or by Telephone**

Mission stockholders of record and many stockholders who hold their shares through a broker or other nominee will have the option to submit their proxy cards or voting instruction cards electronically through the Internet or by telephone. Please note that there are separate arrangements for using the Internet and telephone depending on whether your shares are registered in Mission's stock records in your name or in the name of a broker or other nominee. If you hold your shares through a broker or other nominee, you should check your proxy card or voting instruction card forwarded by your broker or other nominee to see which voting options are available.

Mission stockholders of record may submit their proxies:

through the Internet by visiting a website established for that purpose at *http://www. .com* and following the instructions; or

by telephone by calling the toll-free number 1-800- in the U.S., Puerto Rico, Canada or Mexico on a touch-tone phone and following the recorded instructions.

**Solicitation of Proxies**

In addition to solicitation by mail, directors, officers and employees of Mission may solicit proxies for the special meeting from Mission stockholders personally or by telephone and other electronic means without additional remuneration for soliciting such proxies. We also will provide persons, firms, banks and corporations holding shares in their names or in the names of nominees, which in either case are beneficially owned by others, proxy material for transmittal to such beneficial owners and will reimburse such record owners for their expenses in taking such actions. We have also made arrangements with Georgeson Shareholder Communications, Inc. to assist us in soliciting proxies and have agreed to pay them \$7,500, plus reasonable expenses, for these services. Mission and Petrohawk will equally share the expenses incurred in connection with the printing and mailing of this document.

**INFORMATION ABOUT PETROHAWK**

Petrohawk Energy Corporation, a Delaware corporation, is an independent oil and gas company engaged in the acquisition, development, production and exploration of natural gas and oil properties located in North America. Petrohawk was formed in June 1997 as Beta Oil & Gas, Inc., a Nevada corporation. Petrohawk reincorporated in the state of Delaware in July 2004 at which time it changed its name to Petrohawk Energy Corporation. Petrohawk's properties are concentrated in the South Texas, Anadarko, Permian Basin, East Texas, Arkoma and Gulf Coast regions.

At December 31, 2004, Petrohawk's estimated total proved oil and gas reserves were approximately 219 Bcfe, consisting of 9.7 million barrels of oil and 160.9 Bcf of natural gas. Proved reserves are approximately 73% gas on an equivalent basis and approximately 78% were classified as proved developed.

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Year-end prices used to determine proved reserves were \$40.25 per barrel of oil and \$6.18 per Mmbtu of gas.

Petrohawk has increased its proved reserves and production principally through acquisitions. Petrohawk focuses on properties within its core operating areas that have a significant proved reserve component and which management believes have additional development and exploration opportunities.

**Recent Developments**

Petrohawk has recently completed several transactions:

***Proton Oil & Gas Corporation Acquisition***

On February 25, 2005, Petrohawk completed the purchase of Proton Oil & Gas Corporation ( Proton ) for approximately \$53 million. This transaction included estimated proved reserves of approximately 28 Bcfe, approximately 46% of which are natural gas, and 47% of which are classified as proved developed. Current estimated production from these properties is approximately 5.0 Mmcfe per day. Proton s properties are located in South Louisiana and South Texas.

***Sale of Royalty Interest Properties***

On February 25, 2005, Petrohawk completed the disposition of certain royalty interest properties previously acquired from Wynn-Crosby Energy, Inc. (described below) for approximately \$80 million in cash. Petrohawk sold estimated proved reserves of approximately 26 Bcfe with current estimated production of approximately 5.0 Mmcfe per day.

***Wynn-Crosby Acquisition***

On November 23, 2004, Petrohawk acquired Wynn-Crosby Energy, Inc. and eight of the limited partnerships it managed for a purchase price of approximately \$425 million. Estimated proved reserves at July 1, 2004, the effective date of the transaction, were approximately 200 Bcfe with estimated production of approximately 46 Mmcfe per day. At December 31, 2004, estimated proved reserves were approximately 190 Bcfe, 74% of which were natural gas and approximately 76% were classified as proved developed. The acquired properties are primarily located in the South Texas, East Texas, Anadarko, Arkoma and Permian Basin regions and include approximately 75,000 net undeveloped acres in the Arkoma Basin region, as well as significant exploration opportunities in South Louisiana, South Texas and the Anadarko Basin.

***PHAWK, LLC Transaction***

On August 11, 2004, Petrohawk acquired from PHAWK, LLC certain oil and gas properties in the Breton Sound area, Plaquemines Parish, Louisiana and in the West Broussard field in Lafayette Parish, Louisiana having approximately 2.9 Bcfe of estimated proved reserves for \$8.5 million.

***Recapitalization by PHAWK, LLC***

On May 25, 2004, PHAWK, LLC (formerly known as Petrohawk Energy, LLC), which is owned by affiliates of EnCap Investments, L.P., an affiliate of Liberty Energy Holdings LLC, Floyd C. Wilson, and other members of Petrohawk s management, recapitalized Petrohawk with \$60 million in cash. The \$60 million investment was structured as the purchase by PHAWK of 7.576 million new shares of Petrohawk common stock for \$25 million, a \$35 million five-year 8% subordinated note convertible into approximately 8.75 million shares of Petrohawk common stock, and warrants to purchase 5.0 million shares of Petrohawk common stock at a price of \$3.30 per share.

**Table of Contents****Properties*****South Texas***

Petrohawk's properties in South Texas produce primarily from the Vicksburg, Wilcox and Frio formations, which range in depth from approximately 5,500 feet to 15,000 feet. The La Reforma field, located in Starr and Hidalgo Counties, is the largest field in the Wynn-Crosby property base. La Reforma is a significant Vicksburg formation field, and Petrohawk owns between 25% and 50% working interest in this area. Petrohawk is conducting an active drilling program at La Reforma with three wells recently completed and four additional locations expected to be drilled in 2005. The Vicksburg formation in this area is complexly faulted and 3-D seismic is extensively utilized to identify optimal structural targets. Wells in this field typically produce at initial rates of over 10.0 Mmcfe per day. Other Vicksburg/ Frio fields in which Petrohawk owns a significant interest include Los Indios, Nabors, Ann Mag and McAllen Ranch. The Heard Ranch field, located in Bee County, was acquired in the Proton transaction and produces from the Frio formation at depths of 3,500 to 4,000 feet. Petrohawk owns between a 76% and 89% working interest at Heard Ranch and plans to drill six proved undeveloped locations in 2005. In the Wilcox trend of Lavaca County, Petrohawk owns between 20% and 25% working interest in the Dry Hollow field, which produces from 12,500 to 15,000 feet in depth. At Dry Hollow, Petrohawk has identified two proved undeveloped locations which are expected to be drilled in 2005. Petrohawk also owns interests in the Provident City and North Borchers fields in Lavaca County, as well as in the Four Sevens field in Duval County.

***Anadarko Basin***

The West Edmond Hunton Lime Unit (WEHLU) is Petrohawk's largest property in this region, covering 30,000 acres (approximately 47 square miles) primarily in Oklahoma County, Oklahoma. The WEHLU field, originally discovered in 1942, is the largest Hunton Lime formation field in the state of Oklahoma. The field has 58 oil and natural gas wells (28 currently producing) with stable production holding the entire unit. Petrohawk owns a 98% working interest at WEHLU and currently operates the field. Petrohawk has an agreement with Avalon Exploration, Inc. of Tulsa, Oklahoma to jointly develop additional reserves and production in WEHLU. The area of mutual interest created by the agreement with Avalon covers 5,680 acres located in the central-northwest area of the field.

Other significant properties in this area include interests in the Lipscomb field in Lipscomb County, Texas where Petrohawk's working interests range from 75% to 100% and the Eakly-Weatherford field in Caddo County, Oklahoma, where working interests range from 1% to 26%. Production in these fields is from the Cleveland, Atoka, Morrow and Springer formations.

***Permian Basin***

In the Permian Basin, Petrohawk's principal properties are in the Waddell Ranch field in Crane County, Texas, the ROC field in Ward County, Texas, and the Teague field in Lea County, New Mexico. Waddell Ranch is the largest field in West Texas and produces primarily from the Queen, Grayburg, San Andres, Clear Fork, and Ellenburger formations at depths from 3,000 to 15,000 feet. Petrohawk owns a 3.5% working interest in this property. The ROC field produces from the Ellenberger and Montoya formations at measured depths of 13,000 to 17,000 feet. Petrohawk has identified four proved undeveloped locations in this field, where it owns a working interest of between 5% and 25%. In the Teague field, production is from the Devonian, Seven Rivers, Queen and Grayburg formations at a depth of 4,000 to 8,000 feet. Petrohawk owns a 94% working interest in this property and has identified two proved undeveloped locations.

***East Texas***

Petrohawk's properties in East Texas produce primarily from the Cotton Valley and Travis Peak formations, which range in depth from approximately 6,500 to 10,000 feet. Petrohawk owns significant interests in the South Carthage, North Beckville and Blocker fields in Panola and Harrison Counties,

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Texas. Petrohawk's working interest in these fields is between 47% and 100%. The producing formations of this area tend to contain multiple producing horizons and are typically low permeability sands that require fracture stimulation to achieve optimal producing rates. This type of fracture stimulation usually results in relatively high initial production rates that decline rapidly during the first year of production and subsequently stabilize at fairly low, more easily predictable annual decline rates. Much of Petrohawk's production in this area is from wells that have been producing for several years and are in the latter, more stable stage of production, resulting in a relatively long reserves to production ratio.

***Arkoma Basin***

In the Arkoma Basin, Petrohawk's properties produce primarily from the Atoka formation at depths of 2,500 to 6,000 feet. Petrohawk owns significant interests in the Kinta, Cedars and Pine Hollow fields in Pittsburg and Haskell Counties, Oklahoma. Petrohawk's working interest in these fields is between 23% and 100%. Portions of its acreage in this region are near the Pine Hollow South field, where a new shale gas drilling play is currently evolving. In addition, Petrohawk owns approximately 55,100 net undeveloped acres in Logan, Scott and Yell Counties, Arkansas.

***Gulf Coast***

The Gueydan field in Vermilion Parish, Louisiana is Petrohawk's largest field in the Gulf Coast region and was acquired as part of the Proton transaction. Production in this field is from 2,500 to 10,000 feet in depth. Petrohawk's working interest ranges from 50% to 100%, and Petrohawk plans to drill eight wells in 2005 at Gueydan.

Petrohawk also owns significant interests in the West Broussard field, which is located in Lafayette Parish, Louisiana. In 2003, the Failla #1 well was drilled and completed, with the well being placed on production in September 2003. During 2004, the well produced approximately 15.0 gross Mmcf of natural gas and 350 gross barrels of oil per day. Petrohawk has an approximate 9% working interest in this well. An additional development well, the Montesano #1, was drilled and completed during the third quarter of 2004. The well was placed on production in August 2004 and produced approximately 10.2 gross Mmcf of natural gas and 290 gross barrels of oil per day during the fourth quarter of 2004. Petrohawk owns a 23.1% working interest in this well, which will increase to approximately 29.6% working interest after payout. The Montesano #1 is projected to reach payout during the second quarter of 2005. The Failla #1 and Montesano #1 wells produce from the Bol Mex 3 formation at approximately 15,830 feet.

Petrohawk also has properties in the Breton Sound/ Main Pass area in Louisiana state waters, including a 25% working interest in six leased drilling prospects covering approximately 2,100 acres, as well as two producing wells, pipelines and associated production facilities. Petrohawk possesses 79 square miles of recently reprocessed 3-D seismic data covering this area. The main objective formation is the Tex W at a depth of 11,500 feet. Wells in this area generally produce at high rates and are short lived.

Petrohawk has between 5% and 12% working interest in the Ship Shoal 208/239 field located in federal waters, offshore Louisiana. In South Louisiana, Petrohawk also owns minor interests in the South Lake Arthur field, Vermilion Parish, which has produced over 1 Tcfe from the Myogyp formation. In addition, Petrohawk owns interests in Old Ocean, a large Frio formation field in Brazoria County, Texas.

**INFORMATION ABOUT MISSION**

Mission Resources Corporation is an independent oil and gas exploration and production company headquartered in Houston, Texas. Mission drills for, acquires, develops and produces natural gas and crude oil primarily, in the Permian Basin (in West Texas and Southeast New Mexico), along the Texas and Louisiana Gulf Coast and in both the state and federal waters of the Gulf of Mexico. At December 31, 2004, Mission's estimated net proved reserves, using constant prices that were in effect at such date, were 93 Bcf of natural gas, 43 Bcfe of natural gas liquids, and 15 MMBbl of oil, for total proved reserves of

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approximately 226 Bcfe. Approximately 60% of Mission's estimated net proved reserves were natural gas or natural gas liquids, and approximately 78% were classified as proved developed at December 31, 2004.

**Properties*****Permian Basin***

*Waddell Ranch Field.* Waddell Ranch field is a large, mature property consisting of 900 producing wells and 300 injection wells. Productive formations range in depth from the Queen formation at 3,000 feet to the Ellenburger formation at 15,000 feet. This property, which covers over 75,000 acres, is located in Crane County, Texas. Burlington Resources Inc. is the operator and Mission's working interest is approximately 10%. This field has had gross cumulative production of 1.4 Tcf of natural gas and 422 MMBbl of oil. A portion of this field is under waterflood. This field is under continuous development through recompletions, workovers, and new drills.

*Jalmat Field.* Mission is the operator and holds an approximate 95% working interest in the Jalmat field, located in Lea County, New Mexico. The field consists of 140 producing wells with production primarily from the Yates and Seven Rivers formations at depths ranging from 3,000 to 4,200 feet. Gas production from the Yates and Seven Rivers has a high heating content and is processed at a nearby plant for the extraction of NGL's. Numerous behind pipe recompletions and infill drilling potential exist in both of the Yates and Seven Rivers formations. Additionally, the deeper Queen formation may have waterflood potential.

*TXL North Unit.* The TXL North Unit is an active waterflood unit that consists of 260 wells and produces from the Clearfork Tubb formation at a depth of approximately 5,600 feet. Anadarko Petroleum Corporation operates this property, located in Ector County, Texas. Mission holds an approximate 20% working interest and 25% net revenue interest. This field is currently on a 10-acre infill program with 48 successful new wells drilled in 2004 with continued drilling expected in 2005.

*Goldsmith Field.* The Goldsmith field consists primarily of the CA Goldsmith Unit, operated by XTO Energy Inc., and is located in Ector County, Texas. Mission holds a 25% working and net revenue interest in this unit. The field consists of 250 producing wells with production primarily from the Clearfork and Devonian formations at depths ranging from 5,500 to 8,000 feet. Development plans for 2005 include five new drill wells in the Clearfork formation.

*Wasson Field.* Mission holds an approximate 37% working interest in the Brahaney Unit in the Wasson field, located in Yoakum County, Texas. Apache Corporation operates this waterflood unit that consists of 90 producing wells and produces from the San Andres formation at a depth of approximately 5,200 feet. Production has increased significantly in past few years as a result of a successful infill drilling program. In 2004, seven new wells were drilled and the development drilling program continues with nine wells planned for 2005.

***Gulf Coast***

*South Bayou Boeuf Field.* South Bayou Boeuf field is located in Lafourche Parish, Louisiana and produces from multiple Miocene-age reservoirs at depths ranging from 10,000 to 12,500 feet. One well was drilled in 2004. Multiple development drilling opportunities exist in other sands in the field. Mission is the operator of the field with an average working interest of 96% in seven producing wells.

*Second Bayou Field.* Second Bayou field is located in Cameron Parish, Louisiana. The field produces oil from shallow Miocene-age reservoirs at 5,500 feet and gas from deep Miocene-age reservoirs below 10,000 feet. Mission operates three of the six producing wells and holds an average working interest of 55% in four oil wells and two gas wells.

*Reddell Field.* Reddell field is located in Evangeline Parish, Louisiana and produces from the Upper, Middle and Lower Wilcox formations at depths ranging from 10,000 to 13,000 feet. Burlington Resources

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Inc. is the operator of the field consisting of 16 producing wells. In 2004, four wells were drilled with additional development drilling planned for 2005. Mission holds a 15% working interest in the field.

***Gulf of Mexico***

*High Island Block A-553.* Mission owns approximately a 37% working interest and is the operator in this property located in federal waters offshore Texas in 260 feet of water. The block contains one platform with seven wells. The seventh well was recently drilled and is being completed. Production is primarily gas with liquid condensate from the Pleistocene and Pliocene formations at depths ranging from 5,000 to 12,000 feet. One additional well is planned for 2005 with more drilling expected in future years.

*South Marsh Island Block 142.* This property is located in federal waters offshore Louisiana at a depth of 230 feet. Hunt Petroleum Inc. operates 16 wells on two platforms that produce from the Pleistocene and Pliocene formations at depths ranging from 3,000 to 7,000 feet. Mission owns a 31% working interest. Two successful wells were drilled in 2004 and additional drilling is planned. There are additional development drilling and recompletion opportunities on this block.

***South Texas***

*Lions Wilcox Field.* Mission participated in the drilling of the Weise #1 well in July 2004, which began producing in January 2005. Since January 1, 2005, Mission has participated in the drilling of the Dehnert #1, Buckner Foundation #1, and Weise #2 wells in the Lions Wilcox field in Goliad County, Texas. The Simmons #1 and the Wright Materials #3 are currently drilling. We anticipate that these Lions Wilcox field wells could have substantially similar results to the Weise #1, which flowed at an initial gross rate of 14.5 million cubic feet of gas per day. Mission holds a 35% working interest in the Weise #1, Dehnert #1, Simmons #1 and the Buckner Foundation #1, a 31.5% working interest in the Weise #2, and a 28% working interest in the Wright Materials #3.

**THE MERGER**

The following description of the material information about the merger, including the summary of the material terms and provisions of the merger agreement and the descriptions of the opinions of the parties' financial advisors, is qualified in its entirety by reference to the more detailed annexes to this joint proxy statement/ prospectus. We urge you to read all of the annexes to this joint proxy statement/ prospectus in their entirety.

**The merger agreement has been included as Annex A to provide you with information regarding its terms. It is not intended to provide any other factual information about us. Such information can be found elsewhere in this joint proxy statement/ prospectus and in the other public filings each of us makes with the SEC, which are available without charge at [www.sec.gov](http://www.sec.gov).**

**The merger agreement contains representations and warranties we made to each other. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that we have exchanged in connection with signing the merger agreement. While we do not believe that they contain information securities laws require us to publicly disclose, other than information that has already been so disclosed, the disclosure schedules do contain information that modifies, quantifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they are modified in important part by the underlying disclosure schedules. These disclosure schedules contain information that has been included in Petrohawk's and Mission's prior public disclosures, as well as potential additional nonpublic information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, which subsequent information may or may not be fully reflected in our public disclosures.**

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**Transaction Structure**

The Petrohawk board of directors and the Mission board of directors each has approved the merger agreement, which provides for the merger of Mission with and into Merger Sub, which will survive the merger as a wholly owned subsidiary of Petrohawk. We expect to complete the merger in the third quarter of 2005. Each share of Petrohawk common stock issued and outstanding at the effective time of the merger will remain issued and outstanding as one share of common stock of Petrohawk, and each share of Mission common stock issued and outstanding at the effective time of the merger will be converted into the right to receive cash or Petrohawk common stock, as described below. See Merger Consideration.

Merger Sub's certificate of incorporation will be the certificate of incorporation and Merger Sub's bylaws will be the bylaws of the surviving corporation after the effective time of the merger. At the effective time of the merger, the Petrohawk board of directors will be expanded by two members, consisting of one Class I director and one Class II director and these vacancies will be filled by designees of Mission. The Class I director's term will expire in 2008, and the Class II director's term will expire in 2006.

**Source of Funds for Cash Portion of Merger Consideration**

Petrohawk intends to pay the cash portion of the merger consideration to the Mission stockholders and to repay indebtedness under Mission's existing credit facility from funds available to Petrohawk at closing. Petrohawk currently intends these funds to be comprised of funds available under existing credit lines combined with the proceeds from an offering of debt securities.

**Background of the Merger**

In July 2004, Mission announced that Petrie Parkman & Co., Inc. was going to assist it in evaluating strategic alternatives to enhance stockholder value. Petrie Parkman began its evaluation by working with management to conduct a comprehensive review of Mission's existing asset base and opportunity set, an assessment of the commodities, transactions, debt and equity markets, and an evaluation of Mission's relative strengths and challenges in the then current environment.

In July, August, and September 2004, Petrie Parkman contacted a number of energy companies, including Petrohawk, regarding potential strategic transactions with Mission. During this period, Petrohawk was actively engaged in negotiations to acquire Wynn-Crosby Energy, Inc. and eight limited partnerships managed by it, which transaction was subsequently announced on October 13, 2004. As a consequence, Petrohawk determined that it was not an appropriate time for consideration of a possible transaction with Mission, and, in September 2004, Petrohawk notified Petrie Parkman that it was not able to consider any transactions with Mission at that time. No transactions were concluded with any of the other companies contacted by Petrie Parkman as part of Mission's evaluation of strategic alternatives.

Mission announced that the previously announced evaluation of strategic alternatives had been completed and Mission had concluded that:

Mission's asset base remained under-exploited;

Mission had a strong menu of internal opportunities to create value for the company;

Potential exists to acquire desirable assets; and

Mission recognized the availability of debt and equity capital to finance attractive growth opportunities. Mission further announced that its plan to move forward included five components:

expand its exploration program in its core areas;

aggressively pursue acquisitions of producing properties;

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hedge as appropriate to protect its investments;

expand its bank facilities as needed while maintaining discipline in its capital structure; and

maintain an opportunistic posture.

Following this announcement, Mission began expanding its exploration program in its core areas and aggressively pursuing acquisitions of producing properties, while continuing to divest non-core properties. Mission, with the continued assistance of Petrie Parkman, reviewed a number of potential acquisitions during the next several months.

On February 23, 2005, Steve Herod, Petrohawk's Vice President of Corporate Development, contacted Petrie Parkman for the purpose of discussing general merger and acquisition opportunities for Petrohawk. Floyd Wilson, Petrohawk's Chairman, President, and Chief Executive Officer, and Mr. Herod met with representatives of Petrie Parkman on March 2, 2005. During this meeting, representatives of Petrie Parkman asked Mr. Wilson and Mr. Herod whether Petrohawk considered Mission a potential acquisition candidate. Petrie Parkman arranged a meeting between Mr. Wilson and Robert Cavnar, Mission's Chairman, President and Chief Executive Officer for March 11, 2005.

A confidentiality agreement between Mission and Petrohawk was executed on March 9, 2005. On March 11, 2005, Mr. Wilson, Mr. Cavnar, and a representative of Petrie Parkman met and discussed generally a strategic merger between Mission and Petrohawk. During the meeting, Mr. Wilson and Mr. Cavnar each gave an overview of their respective companies and they concluded that a merger would have potential strategic, commercial, and financial benefits to the stockholders of both companies, and the parties discussed in general terms structural issues that would have to be addressed in connection with a potential transaction, including the type and mix of consideration to be paid and the range of relative valuations of the companies. At the conclusion of the meeting, each executive expressed an interest in beginning the process of determining whether or not an agreement could be reached.

On March 11, 2005, Petrie Parkman delivered documents to Mr. Cavnar and Mr. Wilson setting out various potential structural and transaction terms and time frames for recent transactions in the energy industry under such potential structures. In addition, Petrie Parkman sent a worksheet, based solely on publicly available information about Mission and Petrohawk, outlining the pro forma combined statistics resulting from a transaction between the two companies, assuming a range of transaction prices.

Over the weekend of March 12, 2005 and March 13, 2005, Petrohawk began the process of evaluating the proposed transaction. On March 14, 2005, Petrohawk received a copy of Netherland Sewell's reserve report for Mission, and Mission's data base on its reserves. Petrohawk's due diligence continued throughout the week of March 14, 2005 as management, technical staff, engineers and certain advisors of Petrohawk received and reviewed detailed information relating to Mission's businesses, assets and operations.

Later on March 14, 2005, Petrohawk held its regularly scheduled monthly telephonic update for members of management and board members. Prior to the call, board members received a book containing information on Mission and the potential transaction. During the call, Petrohawk's management team discussed the potential transaction generally.

On March 15, 2005, Mr. Cavnar, Mr. Wilson and a representative of Petrie Parkman, held a conference call during which they continued their discussions regarding the general terms of the proposed transaction.

On March 16, 2005, Mission met with Petrie Parkman to further discuss the possible transaction with Petrohawk.

On March 17, 2005, Petrohawk delivered to Mission a non-binding letter of interest. The letter of interest expressed Petrohawk's interest in pursuing a potential transaction, proposed consideration consisting of 50% cash and 50% Petrohawk stock, valued at \$8.25 per share, established an exchange ratio for the stock portion of the consideration based on a value per share of Petrohawk common stock of \$10.72 per share, indicating that voting agreements would be required of Mission's largest stockholders,



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and suggesting that the combined company board would consist of nine members, two of whom would be designated by Mission.

Later in the day of March 17, 2005, Mr. Cavnar and Mr. Wilson discussed telephonically the issues of interest that were set forth in the letter of interest. Mr. Cavnar emphasized that the timing of the transaction was important, as due to the transaction discussions, Mission was considering delaying a contemplated public offering of common stock to provide additional financial flexibility to implement its strategic plan. Mr. Cavnar indicated that his preference was to have a definitive agreement finalized by the end of March 2005.

On March 17, 2005, the board of directors of Mission conducted a telephone meeting to discuss the potential strategic merger with Petrohawk and the letter of interest received from Petrohawk regarding the potential transaction. Mr. Cavnar reviewed with the board the terms set forth in the letter of interest received from Petrohawk and asked representatives of Petrie Parkman to discuss the proposed transaction, their analysis of current market metrics, operating statistics, reserves for each company, recent transactions by exploration and production companies in the market, and to provide the board with a basic overview of Petrohawk. Mr. Cavnar recommended that Mission delay its proposed equity offering for approximately two weeks to give Mission an opportunity to evaluate a potential transaction with Petrohawk. He also requested authority to negotiate the basic terms of the transaction, subject to final board approval, asked that the board appoint Herb Williamson as a special representative of the board to participate in the due diligence and negotiation processes, and asked that the board retain Merrill Lynch to opine on the fairness of the merger, from a financial point of view, of the consideration to be received by Mission's stockholders. The board unanimously approved each of the actions requested by Mr. Cavnar, and Merrill Lynch was formally engaged on March 22, 2005 to opine on the fairness of the merger, from a financial point of view, of the consideration to be received by Mission's stockholders.

On March 18, 2005, a scheduled conference call between certain members of the Petrohawk board and management occurred. Petrohawk's management and its board discussed primarily Petrohawk's technical evaluation of Mission, but also discussed various financial evaluations and transaction structures. Also on March 18, 2005, Mission sent Petrohawk a preliminary due diligence request for information regarding Petrohawk. Due diligence by Petrohawk continued through the weekend of March 19, 2005 and March 20, 2005.

On March 21, 2005, management and other employees of each company and representatives from Merrill Lynch attended a meeting at Petrie Parkman's Houston office at which each company made detailed technical presentations on its proved and unproved reserves. Also on March 21, 2005, Petrohawk and Mission executed a second confidentiality agreement relating to information to be provided by Petrohawk to Mission. Later that afternoon a conference call took place between attorneys from both sides and personnel from both companies to discuss due diligence and scheduling.

On March 22, 2005, representatives of Petrohawk and Petrohawk personnel continued their due diligence review of Mission at the offices of Petrie Parkman and Mission.

On March 23, 2005, Petrohawk's legal counsel, Hinkle Elkouri Law Firm L.L.C., delivered a draft merger agreement to Porter & Hedges, L.L.P., outside counsel to Mission. Thereafter, management and certain advisors of each company continued to review and negotiate the legal and economic terms of the merger agreement.

On March 23, 2005, Mission's representatives and personnel began due diligence on Petrohawk.

On March 24, 2005, Mr. Wilson met with Mr. Williamson. Mr. Wilson discussed Petrohawk's philosophy, background, management and staff with Mr. Williamson. Later in the day on March 24, 2005, the Mission board of directors conducted a meeting to discuss the current status of negotiations with Petrohawk, and to meet with Mr. Wilson personally. Representatives of Petrie Parkman and Porter & Hedges also attended the meeting. All members of Mission's board were present, one telephonically. Mr. Wilson gave a presentation regarding Petrohawk and answered questions from Mission's directors and advisors. In addition, Porter & Hedges presented a preliminary overview of the merger agreement and the

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fiduciary duties of Mission's board of directors. Petrie Parkman also gave a preliminary overview of the transaction and Mission management gave a report on preliminary due diligence.

On March 25, 2005, Petrohawk held a board meeting telephonically, and management provided the board with an update on the proposed transaction with Mission. During the meeting, board members raised questions regarding Mission's outstanding debt, deferred tax liability, and the expected goodwill component of the proposed transaction. Also on March 25, 2005, Petrohawk informally retained Sanders Morris Harris to act as its financial advisor and provide an opinion as to the fairness of the merger to Petrohawk from a financial point of view.

On March 25, 2005, Porter & Hedges delivered a revised version of the draft merger agreement to Petrohawk and its counsel, Hinkle Elkouri, and Hinkle Elkouri delivered to Porter & Hedges an initial draft of the voting agreement to be executed by Mission's largest stockholders.

Also on March 25, 2005, Mr. Wilson and Mr. Cavnar discussed by telephone questions and concerns regarding restrictive covenants contained in the indenture agreement governing Mission's public debt and the implications of such provisions on transaction financing and structuring.

On March 26, 2005, representatives of Petrohawk, Mission, Petrie Parkman, Guggenheim Capital, LLC, one of the underwriters for Mission's public debt offering in 2004, and Sidley, Austin, Brown & Wood LLP, underwriters counsel in Mission's public debt offering, held a telephone conference and discussed the covenant issues relating to Mission's public debt. Later in the day on March 26, 2005, as a result of these covenant issues, Mr. Wilson called a Petrie Parkman representative and advised him that Petrohawk wanted to structure the transaction such that 60% of the merger consideration was Petrohawk common stock and 40% was cash.

Over the weekend of March 26, 2005 and March 27, 2005, due diligence by both parties continued. Mr. Wilson and Mr. Cavnar corresponded regarding the potential transaction and specific deal terms and negotiations on various matters continued.

On March 28, 2005, Mr. Wilson and Mr. Cavnar had several telephone conferences regarding the merger consideration. Both parties had previously agreed to merger consideration in the range from \$8.00 to \$8.50 per share and to a cash/ stock ratio of 50/ 50. However, Petrohawk proposed revising the merger consideration and the cash/ stock ratio, due to certain restrictions in Mission's 98% senior notes indenture that could limit financings and growth by the combined company. Petrohawk also indicated that any amendment to the covenants or redemption of the notes would require payments in excess of the par value of the notes. Based on these conversations, Mr. Wilson and Mr. Cavnar agreed to recommend to their boards that the merger consideration be \$8.15 per share and the cash/ stock ratio be 40/ 60.

On March 28, 2005, Petrohawk delivered to Mission a revised non-binding letter of interest, which provided for cash merger consideration based on \$8.15 multiplied by the number of Mission shares outstanding times 40% and a number of Petrohawk shares determined by dividing \$8.15 by the weighted average per share closing price of Petrohawk shares for the 20 trading days ending on April 1, 2005 and multiplying that result by 60%. In a telephone conference between Mr. Cavnar and Mr. Wilson, they agreed that each party would work towards execution of a definitive merger agreement by Sunday, April 3, 2005, based on the terms of the revised letter of interest.

On March 29, 2005, Petrohawk held its regularly scheduled audit committee meeting and board of directors meeting. Petrohawk's management provided materials to the board of directors and conducted a presentation regarding the status of due diligence and economics of the proposed merger with Mission. The board discussed the proposed merger and a Petrohawk board meeting was scheduled for April 1, 2005. Also on March 29, 2005, Petrohawk approved the engagement of Sanders Morris Harris to act as its financial advisor.

On March 29, 2005, Mission sent representatives of Harbert Distressed Investment Master Fund, Ltd., Stellar Funding, Ltd. and Guggenheim Capital, L.L.C. the initial draft of a voting agreement.

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Thereafter, until April 3, 2005, Hinkle Elkouri, Porter & Hedges and legal representatives of Harbert, Guggenheim and Stellar negotiated the terms and provisions of the voting agreements.

On March 29, 2005, Mission's board of directors held a telephonic meeting to further discuss the status of negotiations with Petrohawk. Also participating in the call was the senior management team of Mission, and representatives of Petrie Parkman, and Porter & Hedges. Mr. Cavnar provided an update on the status of negotiations with Petrohawk and reviewed the currently proposed terms as set forth in the revised letter of interest. He also explained the reasons for the recent change in the mix of stock and cash set forth in the revised letter of interest. Representatives of Porter & Hedges gave a detailed review of the board's fiduciary duties in the context of this transaction and a detailed review of the provisions of the draft merger agreement. Petrie Parkman then reviewed the financial aspects of the transaction. Following Petrie Parkman's presentation, members of the senior management team provided their updated due diligence report on Petrohawk to the board.

A further board meeting was scheduled for April 3, 2005, to discuss and review the final forms of all the agreements relating to the proposed transaction, receive an opinion from Merrill Lynch as to the fairness of the transaction, from a financial point of view, to Mission, and to vote on the proposed transaction.

On March 30, 2005, a meeting was held at Mission's Houston offices to negotiate the outstanding issues on the merger agreement. Mr. Cavnar, Mr. Wilson, representatives of Petrie Parkman, counsel to Mission and to Petrohawk, and members of the senior management team of Mission attended the meeting. At this meeting, the parties negotiated and agreed to all material terms to be included in the merger agreement, other than economic terms already agreed to, subject to board approval.

On March 31, 2005, Hinkle Elkouri and Porter & Hedges continued negotiation of various provisions of the merger agreement.

On April 1, 2005, Petrohawk's board of directors held their scheduled board meeting. The board members had previously been provided information packages from management that addressed the board's questions raised in the meeting of March 29, 2005. The board had a number of comments and questions related to the information. The board concluded that, subject to a report on the completion of due diligence, receipt of a fairness opinion from Sanders Morris Harris, and its final review of the merger agreement, it viewed the transaction favorably. The board set a further board meeting for April 3, 2005.

On April 1, 2005, Hinkle Elkouri sent Porter & Hedges an initial draft of a non-solicitation agreement for each of Mission's executive officers.

On April 2, 2005, the parties and their legal representatives continued negotiating the merger agreement, voting agreements, and non-solicitation agreements and exchanged drafts of these agreements and the disclosure schedules to the merger agreement. The parties also began to prepare a joint press release and filings to be made with the SEC relating to the proposed transaction. Also, on April 2, 2005, Mr. Wilson, Mr. Cavnar and their representatives held various telephone conferences regarding the assumption by Petrohawk of Mission's stock option plans, employee benefits for Mission employees, and the handling of severance payments arising under benefits plans and employment agreements.

On April 3, 2005, the parties finalized the terms of the merger agreement, voting agreements, and non-solicitation agreements.

On April 3, 2005, Petrohawk's board of directors met telephonically to consider the final terms of the proposed business combination between Petrohawk and Mission. Prior to the meeting, Petrohawk's board of directors were provided with a substantially final draft of the merger agreement and other materials related to the transaction. At the meeting:

Petrohawk's management gave a presentation regarding the terms of the proposed transaction and the results of due diligence;

Hinkle Elkouri reviewed the provisions of the proposed merger agreement; and

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Sanders Morris Harris presented its analysis and rendered an oral opinion, subsequently confirmed by delivery of its written opinion dated April 3, 2005, that based upon and subject to the assumptions made, matters considered, qualifications, and limitations set forth in the written opinion, as of that date, the financial consideration to be paid by Petrohawk in the merger was fair, from a financial point of view, to Petrohawk (see Opinion of Sanders Morris Harris ).

After discussion, Petrohawk's board of directors unanimously approved the merger, the merger agreement, and the other transactions contemplated in the merger agreement and unanimously resolved to recommend that Petrohawk's stockholders vote to approve the issuance of Petrohawk common stock in connection with the merger and the other transactions contemplated in the merger agreement.

On April 3, 2005, the Mission board of directors held a special meeting to consider the final terms of the proposed merger transaction between Petrohawk and Mission. Prior to the meeting, Mission's board of directors was provided with a substantially final draft of the merger agreement and other materials related to the proposed transaction. Mr. Cavnar and Mr. Williamson attended the meeting in person at Mission's offices and the other members of the board of directors attended by telephone. At the meeting:

Mission's management gave a presentation regarding the terms of the proposed transaction and the results of due diligence;

Representatives of Porter & Hedges reviewed the provisions of the proposed merger agreement and related agreements, and Mission's general counsel also reviewed matters related to employee benefits;

Petrie Parkman discussed the negotiation process and the potential market reaction to an announcement of the transaction; and

Merrill Lynch rendered an oral opinion, subsequently confirmed by delivery of its written opinion dated April 3, 2005, that as of such date, and based upon and subject to the factors in the subject set forth in its opinion, the consideration to be received by the holders of Mission common stock (other than Petrohawk and its affiliates) in the merger was fair, from a financial point of view, to such holders (see Opinion of Merrill Lynch, Pierce, Fenner & Smith ).

After discussion, Mission's board of directors unanimously approved the merger, the merger agreement and the other transactions contemplated therein, and unanimously resolved to recommend that Mission's stockholders adopt the merger agreement and approve the merger and the other transactions contemplated in the merger agreement.

Following these board meetings, Mr. Wilson and Mr. Cavnar each advised the other that the merger had been approved by the respective boards of Petrohawk and Mission and the definitive merger agreement was executed on behalf of Petrohawk and Mission, effective April 3, 2005. Concurrently with the execution of the merger agreement, each of Stellar Funding, Ltd., Guggenheim Capital, LLC, and Harbert Distressed Investment Master Fund, Ltd. executed a voting agreement with Mission and Petrohawk in which it agreed to vote in favor of the merger, and each of Mr. Cavnar, Richard W. Piacenti, John L. Eells, Marshall L. Munsell, Tom C. Langford and William R. Picquet executed non-solicitation agreements with Petrohawk in which each agreed to certain restrictions regarding employees of Mission.

The parties issued a joint press release announcing the execution of the merger agreement on the morning of April 4, 2005.

### **Petrohawk's Reasons for the Merger; Recommendation of the Stock Issuance in the Merger by the Petrohawk Board of Directors**

Petrohawk's board of directors has determined that the merger is fair to, and in the best interests of, Petrohawk and its stockholders. In deciding to approve the merger agreement and to recommend that Petrohawk's stockholders vote to approve the issuance of Petrohawk common stock in connection with the

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merger, Petrohawk's board of directors consulted with Petrohawk's management and legal and financial advisors and considered a number of material factors, including:

the combined company will be significantly larger than Petrohawk and should have greater financial, operational and technical strengths that should enable it to consider and more effectively pursue additional opportunities;

a substantial number of the combined company's properties are in the same geographic areas which will permit an integration of those properties and a possible reduction in the combined operating and administrative cost relative to those properties;

the merger will add significantly to Petrohawk's reserves and production and is in accordance with Petrohawk's strategy of growth through acquisitions, and it should create a better platform for further consolidation of oil and gas assets in its core operating areas;

the merger will provide Petrohawk with a more balanced portfolio of exploitation and exploratory opportunities, thereby giving management more flexibility in its capital allocation decisions;

the merger will significantly increase Petrohawk's cash flow and cash flow per share and should permit an acceleration of Petrohawk's capital program;

the merger will create a larger company that is expected to have more liquidity in its common stock and better access to capital markets, which should provide more financial flexibility;

the merger will give Petrohawk the opportunity to add to its technical and operational expertise by adding employees from Mission and otherwise hiring qualified individuals;

the combined company will have properties that should be attractive candidates for divestment, and given expected market conditions there should be significant opportunities to use the proceeds from the sale of such properties to reduce overall debt of the combined company; and

Sanders Morris Harris presented its analysis and opinion to the effect that, as of April 3, 2005 and based upon and subject to the assumptions made, matters considered, qualifications, and limitations set forth in the written opinion, the financial consideration to be paid by Petrohawk in the merger was fair, from a financial point of view, to Petrohawk.

Petrohawk's board of directors considered a number of additional factors in reaching its decision including: information concerning the financial condition, results of operations, prospects and businesses of Petrohawk and Mission, including the respective companies' reserves, production volumes, cash flows from operations, recent performance of common stock and the ratio of Petrohawk's common stock price to Mission's common stock price over various periods, as well as current industry, economic and market conditions;

the net asset value per share of the common stock of both Petrohawk and Mission; and

the results of business, legal and financial due diligence investigations of Mission conducted by Petrohawk's management and legal advisors.

Petrohawk's board of directors also considered a variety of risks and other potentially negative factors concerning the merger and the transactions contemplated by the merger agreement, including the merger. These factors included: the increased amount of debt that the combined company would have compared to Petrohawk on a stand-alone basis and the effect of that debt on Petrohawk's future operations;

the fact that a decrease in oil and gas prices would make the merger less desirable from a financial point of view;

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a decrease in oil and gas prices would reduce the expected proceeds from expected divestitures and leave the company with a higher than projected debt balance;

the fact that there are significant risks inherent in combining and integrating two companies, including that the companies may not be successfully integrated, and that successful integration of the companies will require the dedication of significant management resources, which will temporarily detract attention from the day-to-day businesses of the combined company;

the fact that Petrohawk has experienced rapid growth and integrating Mission with Petrohawk may be made more difficult because of acquisitions made by Petrohawk in 2004 and early 2005;

the fact that the combined company will be partially reliant upon drilling success on both proven and unproven properties in order to meet its expectations regarding production, cash flow and proven reserves and the fact there is always uncertainty in successfully converting unproven properties into proven reserves;

the fact that the capital requirements necessary to achieve the expected growth of the combined company's businesses will be significant, and there can be no assurance that the combined company will be able to fund all of its capital requirements from operating cash flows, and the fact that the combined company would have substantially more total long-term debt than Petrohawk on a stand-alone basis; and

other matters described under the caption Risk Factors.

This discussion of the information and factors considered by Petrohawk's board of directors in reaching its conclusions and recommendations includes all of the material factors considered by the board but is not intended to be exhaustive. In view of the wide variety of factors considered by Petrohawk's board of directors in evaluating the merger agreement and the transactions contemplated by it, including the merger, and the complexity of these matters, Petrohawk's board of directors did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weight to those factors. In addition, different members of Petrohawk's board of directors may have given different weight to different factors.

It should be noted that this explanation of the reasoning of Petrohawk's board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Forward-Looking Statements beginning on page 23 of this document.

Petrohawk's board of directors determined that the merger, the merger agreement and the other transactions contemplated by the merger agreement are in the best interests of Petrohawk and its stockholders. Accordingly, Petrohawk's board of directors approved and adopted the merger agreement and recommends that Petrohawk stockholders vote FOR approval of the issuance of Petrohawk common stock in the merger.

**Mission's Reasons for the Merger; Recommendation of the Merger by the Mission Board of Directors**

Mission's board of directors has determined that the merger is fair to, and in the best interest of, Mission and its stockholders. In deciding to approve the merger agreement and to recommend that Mission's stockholders vote to approve the merger, Mission's board consulted with Mission's management and legal and financial advisors and considered a variety of factors, including:

the merger consideration represented a premium of approximately 19% above the closing price of Mission's common stock on the last trading day immediately prior to the board's approval;

the combined company will be significantly larger than Mission and should have greater financial, operational and technical strengths that should enable it to consider and more effectively pursue additional types of opportunities;

the combined company will have a better balanced portfolio of long-lived assets and near term higher risk, high impact drilling opportunities;





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Mission's board of directors' confidence in the ability of Petrohawk's chief executive officer to lead the combined company and continue to enhance stockholder value;

subject to proration, Mission stockholders may elect to receive cash or stock in the transaction thereby having the opportunity to choose between participation in the combined company or liquidity;

the combined company will have more favorable financing opportunities based on its combined balance sheet and income statement;

attractive acquisition opportunities are becoming increasingly difficult to find at reasonable prices, which limits the ability of Mission to execute its strategic plan of growth through acquisition and exploration and development;

certain of the combined company's properties are in the same geographic areas which will permit an integration of those properties and a possible reduction in the combined operating cost relative to those properties;

the combined company's enhanced cash flow should permit an acceleration of the exploration program developed by Mission;

Mission will designate two members to be named to the board of Petrohawk;

the combined company's larger market capitalization should enhance its stock liquidity;

the opinion of Merrill Lynch delivered orally on April 3, 2005 and subsequently confirmed in writing that, as of such date, and based on and subject to the matters set forth in its opinion, the consideration to be received by holders of Mission common stock (other than Petrohawk and its affiliates) in the merger was fair, from a financial point of view, to such holders;

the execution of voting agreements by holders of approximately 32% of Mission's common stock pursuant to which they have agreed, among other things, to vote all shares owned by each of them in favor of the merger;

holders of Mission common stock who dissent from the merger will have appraisal rights under Delaware law, providing stockholders who dispute the fairness of the merger an opportunity to have a court determine the fair value of their share;

the financial and other interests in the merger of Mission's directors and executive officers;

the terms of the merger agreement and the structure of the transaction, including the conditions to each company's obligations to complete the merger;

the ability of Petrohawk and Mission to complete the merger, including their ability to obtain the necessary regulatory approvals and their obligation to attempt to obtain those approvals; and

the terms of the merger agreement permit Mission's board of directors to change or withdraw its recommendation of the merger to Mission stockholders, and to terminate the agreement with Petrohawk, if, among other reasons, the board makes the determination as set forth in the merger agreement regarding the nature and terms of a proposed superior offer.

Each of these factors supported Mission's board of directors' conclusion that the merger is advisable and in the best interest of Mission and its stockholders. In reaching its conclusions, Mission's board relied on Mission and Petrohawk's

managements to provide accurate and complete financial information, projections and assumptions as the starting point for its analysis.

The Mission board of directors considered a number of additional factors concerning the merger agreement and the transactions contemplated by their merger agreement, including:

information concerning the financial condition, results of operations, prospects and businesses of Petrohawk and Mission, including the respective company's reserves, production volumes, cash

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flows from operations, recent performance of common stock and the ratio of Petrohawk's common stock price to Mission's common stock price over various periods, as well as current industry, economic and market conditions;

assessments of the net asset value per share of the common stock of both Petrohawk and Mission; and

the results of business, legal and financial due diligence investigations of Petrohawk conducted by Mission's management and advisors.

**Opinion of Sanders Morris Harris Inc. to the Petrohawk Board of Directors**

In late March 2005, Petrohawk advised Sanders Morris Harris Inc. ( SMH ) that Petrohawk had made a preliminary, non-binding proposal to acquire the outstanding common stock of Mission and began discussing a possible engagement of SMH. On March 29, 2005 Petrohawk approved the engagement of SMH as its financial advisor to undertake a study to determine whether it could issue a written opinion to Petrohawk's board of directors as to the fairness to Petrohawk, from a financial point of view, of the consideration to be paid by Petrohawk in connection with the proposed transaction.

At the April 3, 2005 meeting of Petrohawk's board of directors, SMH presented its analysis and rendered its oral opinion, subsequently confirmed in writing, that based upon and subject to assumptions made, matters considered, qualifications and limitations set forth in the written opinion (which are described below), as of that date, the financial consideration to be paid by Petrohawk in the merger was fair, from a financial point of view, to Petrohawk.

The full text of the written opinion of SMH, which sets forth assumptions made, matters considered and limits on the review undertaken by SMH, is attached to this proxy statement as Annex B and is incorporated herein by reference. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and application of those methods to the particular circumstances and is therefore not readily susceptible to summary description. The following description of the opinion sets forth the material terms of the opinion and is qualified in its entirety by reference to the full text of the opinion. You are urged to read the full text of the opinion carefully and in its entirety.

The opinion was for the use and benefit of the board of directors of Petrohawk and was provided to the board in connection with its consideration of the merger. The opinion does not address the relative merits of the merger as compared to any alternative transactions or business strategies that might be available, nor does it address the merits of the underlying decision by Petrohawk to enter into the merger agreement. The opinion is not intended to be and does not constitute a recommendation to any shareholder of Petrohawk or Mission as to how such shareholder should vote or act with respect to any matter relating to the merger.

No limitations were imposed by Petrohawk upon SMH with respect to the procedures followed or factors to be considered by SMH in rendering its opinion. There were no material relationships or transactions between SMH and Petrohawk, Petrohawk's affiliates or any other party to the merger prior to or at the time that SMH and Petrohawk entered into the engagement letter with respect to the opinion, no such material relationships or transactions have since developed, and no such material relationships or transactions are mutually understood to be contemplated.

In arriving at the conclusions expressed in the opinion, among other things, SMH reviewed and analyzed the following:

the merger agreement;

such publicly available information concerning Petrohawk and Mission that SMH believed to be relevant to the analysis for each of Petrohawk and Mission;

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certain financial and operating information with respect to the respective businesses, operations, and prospects of Petrohawk and Mission respectively, including financial and operating projections furnished by the management of Petrohawk and of Mission and in particular (a) certain estimates of proved and non-proved reserves from Netherland, Sewell & Associates, Inc. and management, projected future production, revenue, operating costs and capital investments for each of Petrohawk and Mission; (b) impacts of hedging the product prices for the production levels projected by the respective managements of Petrohawk and Mission; and (c) amounts and timing or cost savings and operating synergies expected by the management of Petrohawk resulting from the merger;

the historical market prices and trading volumes of Petrohawk's and Mission's publicly traded securities and a comparison of those trading histories with each other and with those of other publicly-traded companies that SMH deemed relevant;

a comparison of the historical financial results and present financial condition of Petrohawk and Mission with each other and with those of other publicly traded companies that SMH deemed relevant;

a comparison of the financial terms of the merger with the financial terms of certain other transactions that SMH deemed relevant;

the potential pro forma impact of the merger on the future financial performance of Petrohawk;

the potential pro forma impact of the merger on the current financial condition of Petrohawk, including the impact on Petrohawk's leverage levels and ratios;

the relative contributions of Petrohawk and Mission to the current and future financial performance of the combined company on a pro forma basis;

published estimates of independent research analysts with respect to the future financial performance of Petrohawk and Mission;

the views of the management of Petrohawk and of Mission concerning the strategic benefits of the merger and their respective businesses, operations, assets, financial condition, reserves, production levels, hedging levels, exploration programs and prospects; and

such other information, financial studies, analyses and investigations as SMH deemed relevant.

SMH's opinion was based upon market, economic, financial and other conditions as they existed and could be evaluated on, and on the information available as of, the date of the opinion, and thus the opinion does not reflect any developments that may occur or may have occurred after the date of its opinion and prior to the consummation of the merger. It should be understood that subsequent developments may affect SMH's opinion, and SMH does not have any obligation to update, revise or reaffirm its opinion. SMH expressed no opinion as to the price at which the Petrohawk common stock or Mission common stock will trade at any future time.

In preparing its opinion, SMH assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or that was publicly available, and it has not assumed any responsibility for independently verifying such information. SMH further relied on the assurances of the management of Petrohawk and of Mission that they are not aware of any facts that would make such information inaccurate or misleading. With respect to the financial forecast information furnished to or discussed with it, including expected costs savings and operating synergies, SMH assumed that such forecasts had been reasonably prepared and reflect the best currently available estimates and judgment of the management of Petrohawk and of Mission as to expected future financial performance. SMH expresses no opinion as to such financial forecast information or the

assumptions on which they were based.

With respect to the estimates of oil and gas reserves, SMH assumed that they had been reasonably prepared on bases reflecting the best available estimates and judgments of the management and staff of Petrohawk, Mission and Netherland, Sewell & Associates, Inc., as applicable, relating to the oil and gas

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properties of Petrohawk and Mission, respectively. SMH did not make or commission an independent evaluation or appraisal of the assets or liabilities of Petrohawk or Mission, nor, except for the estimates of oil and gas reserves referred to above, was SMH furnished with any such evaluations or appraisals. In addition, SMH did not assume any obligation to conduct, nor did it conduct, any physical inspection of the properties or facilities of Petrohawk or Mission. SMH also assumed that the final form of the merger agreement would be substantially similar to the last draft reviewed, and that the merger would be consummated in accordance with the terms of the merger agreement without waiver of any of the conditions precedent to the merger contained in the merger agreement.

Some of the summaries of financial analyses below include information presented in tables. In order to understand fully the financial analyses performed by SMH, the tables must be read together with the accompanying text. Failing to consider the methodologies and assumptions underlying the analyses could create a misleading or incomplete view of the financial analyses.

*Valuation Analysis of Petrohawk.* SMH's analyses included an analysis of Petrohawk's common equity value based upon various alternative valuation methodologies. Each valuation methodology provided an estimate of Petrohawk common equity value that was considered by SMH in its assessment of the fairness, from a financial point of view, of the consideration to be paid by Petrohawk in connection with the merger.

The following is a summary of the material financial analyses performed by SMH in connection with providing its oral opinion to Petrohawk's board of directors on April 3, 2005. Some of the summaries of the financial analyses include information presented in tabular format. To fully understand the financial analyses, the tables should be read together with the text of each summary. Considering the data set forth in the tables without considering the narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses.

The exchange ratio of 0.7718 is used for determining the total number of shares of Petrohawk common stock to be issued in connection with the merger. This exchange ratio is also approximately the effective exchange ratio for the value of total cash and stock consideration of \$8.15 per share to be paid in connection with the merger based upon an applicable Petrohawk stock price of \$10.56 per share.

*Historical Exchange Ratio Analysis.* SMH prepared an analysis that examined the fluctuations of the ratio of Mission's common stock price in relation to Petrohawk's common stock price at various time intervals within the last six months. These historical exchange ratios were calculated daily by dividing Mission's closing common stock price by Petrohawk's common stock price.

The following summarizes the results of SMH's exchange ratio analysis for various periods of time as of April 1, 2005.

<b>Time Frame</b>	<b>Average Exchange Ratio</b>
April 1, 2005	0.63
7-Day Average	0.68
30-Day Average	0.70
90-Day Average	0.68
180 Day Period	
High	0.80
Low	0.58
Mean	0.68
Median	0.68

In the past six months, the exchange ratio varied from a 180-day low of 0.58x to a 180-day high of 0.80x. Both the mean and median exchange ratios for this time frame were 0.68x. SMH noted that the



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exchange ratio of 0.7718 used for determining the total number of shares of Petrohawk common stock to be issued is within the 180-day historical exchange ratio range.

*Comparable Company Analysis.* SMH researched numerous available sources of information and held discussions with Petrohawk's management to find reasonably similar companies that could be used for comparison purposes. Using publicly available information, SMH calculated enterprise value multiples of 2005 and 2006 estimated EBITDAX, as well as price to 2005 and 2006 estimated cash flow per share and earnings per share. In each case, estimated EBITDAX, cash flow per share and earnings per share were based on publicly available estimates from independent equity research analysts.

SMH determined that the following companies were relevant to an evaluation of Mission based on SMH's view of the comparability of the operating and financial characteristics of these four companies to those of Mission:

Brigham Exploration Co.

Comstock Resources, Inc.

Delta Petroleum Corp.

KCS Energy, Inc.

SMH also reviewed the same trading multiples for the companies mentioned below. However, it was determined that these four companies should be excluded from the comparison analysis due to their larger size:

Stone Energy Corp.

The Houston Exploration Co.

Whiting Petroleum Corp.

St. Mary Land & Exploration Co.

The maximum, mean, median and minimum multiples for the four companies included in the analysis are set forth below.

<b>Comparable Public Company Metrics</b>	<b>Maximum</b>	<b>Mean</b>	<b>Median</b>	<b>Minimum</b>
Enterprise Value/ 2005E EBITDAX	7.1x	6.3x	6.7x	4.7x
Enterprise Value/ 2006E EBITDAX	6.2x	5.4x	6.1x	4.1x
Price/ 2005E Cash Flow	8.0x	6.0x	5.9x	4.3x
Price/ 2006E Cash Flow	5.8x	4.9x	5.2x	3.8x
Price/ 2005E Earnings	20.5x	16.1x	16.6x	10.8x
Price/ 2006E Earnings	19.3x	13.8x	12.9x	9.3x

SMH applied the comparable company median multiples to Mission's 2005 and 2006 estimated EBITDAX, cash flow per share and earnings per share and calculated a range of implied equity values per share to determine a range of implied exchange ratios. This analysis resulted in a range of implied equity values per share of \$6.47 to \$10.78, indicating a range of implied exchange ratios of 0.61 to 1.02. SMH noted that the exchange ratio of 0.7718 used for determining the total number of shares of Petrohawk common stock to be issued falls within this range.

*Comparable Transactions Analysis.* SMH reviewed certain publicly available information on selected corporate level and asset level E&P transactions that were announced in 2004 and 2005. SMH analyzed relevant transaction multiples of these transactions, including total purchase price (equity purchase price plus assumed obligations), adjusted by the value allocated to other businesses that are unrelated to exploration and production of oil and gas, divided by proved reserves, daily production and latest twelve month EBITDAX (defined as earnings before interest,



taxes, depreciation, amortization, and exploration expense).

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In addition, for each company, relevant transaction multiples were analyzed on a regional basis to take into account the companies' differing geographic reserve mix. On a regional basis, Petrohawk's proved reserves were segmented into the following categories: Mid-Continent, Permian Basin, and Gulf Coast. Similarly, Mission's proved reserves were segmented into the following geographic categories: Permian Basin, Gulf Coast, and Gulf of Mexico.

SMH studied transaction value multiples of proved reserves and daily production for all the transactions reviewed in the analysis. In analyzing the latest twelve month EBITDAX transaction value multiple, only the corporate level transactions were reviewed. The corporate level transactions included in SMH's study are listed below.

<b>Acquirer</b>	<b>Target</b>
Cimarex Energy Company	Magnum Hunter Resources Inc.
XTO Energy Incorporated	Antero Resources Corporation
Chesapeake Energy Corporation	BRG Petroleum Corporation
Noble Energy Incorporated	Patina Oil & Gas Corporation
Petro-Canada	Prima Energy Corporation
Forest Oil Corporation	Wiser Oil Company
EnCana Corporation	Tom Brown Incorporated
Kerr-McGee Corporation	Westport Resources Corporation

The following summarizes the results of SMH's comparable transaction analysis.

<b>Transaction Value as a Multiple of:</b>	<b>Multiple Range</b>		
	<b>Low</b>	<b>Median</b>	<b>High</b>
Proved Reserves (\$Mcfe)	\$ 0.70	\$ 1.57	\$ 2.98
Daily Production (\$Mcfe/d)	\$ 3,292	\$ 8,200	\$ 11,417
LTM EBITDAX	6.6x	7.8x	9.1x

The table below shows transaction value multiples of proved reserves (price per mcfe) from SMH's analysis on a regional basis.

<b>Proved Reserves by Region:</b>	<b>Multiple Range</b>		
	<b>Low</b>	<b>Median</b>	<b>High</b>
Permian Basin	\$ 0.99	\$ 1.32	\$ 1.82
Mid-Continent	1.56	1.79	1.92
Gulf Coast Onshore	0.70	1.40	2.46
Gulf of Mexico	0.93	1.65	1.83
Corporate	1.19	1.88	2.98

By applying the median results of the above analysis to the appropriate Mission metrics, SMH determined Mission's implied equity value per share to be between \$4.18 and \$8.80. This yields a range of exchange ratios of 0.40 and 0.83. The exchange ratio of 0.7718 used for determining the total number of shares of Petrohawk common stock to be issued falls within this range.

*Net Asset Valuation Analysis.* SMH conducted a net asset valuation analysis of each of Petrohawk and Mission to estimate the net asset value per share for each company. SMH performed its analysis based on a variety of data sources provided by the management of each respective company and certain other publicly available information.

SMH relied on the respective Netherland, Sewell & Associates, Inc. reserve reports and information provided by the respective managements to generate the estimated cash flows for each respective company.

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For Petrohawk and Mission, SMH calculated net asset valuation under three different price scenarios. The natural gas and oil price forecasts employed by SMH were based on New York Mercantile Exchange, or NYMEX, price forecasts (Henry Hub, Louisiana delivery for natural gas and West Texas Intermediate, Cushing, Oklahoma delivery for oil) from which adjustments were made to reflect location and quality differentials. NYMEX gas price quotations are stated in heating value equivalents per million British Thermal Units, or MMBtu, which are adjusted to reflect the value per Mcf of gas. NYMEX oil price quotations are stated in dollars per Bbl of crude oil. The table below presents a summary of NYMEX natural gas and oil price forecasts employed by SMH for each commodity price scenario.

	2005E	2006E	2007E	2008E	2009E	2010E	Escalation Thereafter
<b>Henry Hub (\$/MMBtu)</b>							
Case #1: Forward Strip Pricing	\$ 7.69	\$ 7.48	\$ 6.91	\$ 6.45	\$ 6.08	\$ 5.72	0%
Case #2	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	0%
Case #3	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	0%
<b>West Texas Intermediate (\$/Bbl)</b>							
Case #1: Forward Strip Pricing	\$ 54.80	\$ 52.56	\$ 50.32	\$ 49.38	\$ 48.10	\$ 47.38	0%
Case #2	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	0%
Case #3	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	0%

For Mission, SMH used discount rates ranging from 8% to 10%, which were commonly used in comparable transactions, to estimate a range of present values for the future pre-tax cash flows generated by its proved reserves. This information was derived from Netherland, Sewell & Associates, Inc. reserve reports and management's economic models. SMH then added the value of Mission's probable and possible reserves (derived from third party reports and management estimates) and other undeveloped exploratory acreage and risked these assets based on insight from management and industry standards. SMH then deducted the present value estimates of the future costs of cash taxes (including benefit from Mission's existing net operating loss position and future intangible drilling costs generated), general and administrative expenses, and hedging losses from existing derivatives contracts using a discount rate of 8%. SMH then deducted the total debt and added the working capital and divided by Mission's fully diluted shares outstanding (estimated to be 45.4 million shares as of December 31, 2004 (calculated by using the treasury stock method for options and warrants).

For Petrohawk, SMH used discount rates ranging from 8% to 10% to estimate a range of present values for the future pre-tax cash flows generated by its proved reserves. This information was derived from Netherland, Sewell & Associates, Inc. reserve reports and management's economic models. SMH then added the value of Petrohawk's probable and possible reserves (derived from third party reports and management estimates) and risked these assets based on insight from management and industry standards. SMH then deducted the present value estimates of the future costs of cash taxes (including benefit from Petrohawk's future intangible drilling costs generated), general and administrative expenses, and hedging losses from existing derivatives contracts using a discount rate of 8%. SMH then deducted the total debt and added the working capital and divided by Petrohawk's fully diluted shares outstanding (estimated to be 52.9 million shares as of March 31, 2004 (calculated using the treasury stock method for options and warrants).

The net asset valuation analyses for Cases #1 - 3 yielded valuations for Petrohawk and Mission that implied an exchange ratio of 0.67 to 0.80. The exchange ratio of 0.7718 used for determining the number of shares of Petrohawk common stock to be issued falls within this range.

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*Premiums Analysis.* SMH reviewed the premiums paid in the following ten stock-for-stock business combinations in the oil and gas exploration and production industry. The transactions considered, including the date each transaction was announced, were as follows:

Buyer/ Seller	Date Announced
Cimarex Energy Co./ Magnum Hunter Resources Inc.	1/26/2005
Noble Energy Inc./ Patina Oil & Gas Corp.	12/16/2004
Petro-Canada/ Prima Energy Corp.	6/9/2004
Forest Oil Corp./ Wiser Oil Co.	5/24/2004
EnCana Corp./ Tom Brown Inc.	4/15/2004
Kerr-McGee Corp./ Westport Resources Corp.	4/7/2004
Evergreen Resources Inc./ Carbon Energy Corp.	3/31/2003
Plains Exploration & Production Co./ Nuevo Energy Co.	2/12/2004
Devon Energy Corp./ Ocean Energy, Inc.	2/24/2003
Plains Exploration & Production Co./ 3TEC Energy Corp.	2/3/2003

For each transaction listed above, SMH calculated the premium represented by the offer price over the target company's share price for the one day period prior to the transaction's announcement and the target company's average share price for the ten-day, twenty-day and thirty-day periods prior to the transaction's announcement. This analysis indicated the following:

Time Period (Prior to Transaction Announcement)	Low Premium	High Premium	Mean Premium
One day	3.6%	23.8%	15.8%
10 days	6.6%	26.1%	16.9%
20 days	8.3%	23.2%	16.8%
30 days	8.9%	24.1%	17.4%

SMH calculated the implied premium represented by the consideration per share for Mission over its share price for the one-day period prior to the transaction's announcement and its average share price for the ten-day, twenty-day and thirty-day periods prior to the transaction's announcement. This analysis indicated an implied premium of 12.9%, 14.5%, 12.5% and 14.2%, respectively, for each of the indicated time periods. SMH noted that each of these implied premiums is within the selected range of premiums calculated from the precedent corporate transactions above.

*Relative Contribution Analysis.* SMH reviewed and analyzed the relative contributions to be made by Petrohawk and Mission to the combined company based upon operating results (before giving effect to any merger-related synergies or cost savings) and market capitalization. These contributions were compared to the ownership stake Mission would have in the combined company following the merger assuming an exchange ratio of 0.7718. Based on current proved reserves and daily production and publicly available equity research estimates of operating results for the year ending December 31, 2005, we determined that Petrohawk's and Mission's relative contributions to the combined company ranged from approximately 49% to 62% for Petrohawk and from approximately 38% to 51% for Mission. These contribution percentages implied exchange ratios ranging from 0.79 to 1.43. The exchange ratio of 0.7718 used for determining the number of shares of Petrohawk common stock to be issued falls within reasonable proximity of this range.

*Pro Forma Analysis.* In its review of the transaction, SMH considered the financial impact of the merger to Petrohawk. SMH also analyzed the pro forma balance sheet and credit statistics as compared to Petrohawk's current balance sheet and credit statistics. SMH then compared debt to total capitalization, net debt to total capitalization, debt to estimated 2005 EBITDAX and net debt to estimated 2005 EBITDAX on a stand alone basis and pro forma for the

merger. This analysis indicated that the merger would result in higher leverage on all analyzed metrics than Petrohawk on a stand-alone basis. SMH also compared earnings per share, discretionary cash flow per share and EBITDAX per share of Petrohawk on

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a stand-alone basis to these metrics of Petrohawk pro forma for the acquisition. This analysis indicated that the merger would be accretive to Petrohawk's discretionary cash flow and EBITDAX on a per share basis but slightly dilutive to estimated 2005 earnings. In performing its analysis, SMH did not include adjustments for synergies.

*General.* SMH was not asked to opine and did not express any opinion with respect to any legal, accounting, and tax matters arising in connection with the merger, and relied without independent verification on the accuracy and completeness of the advice provided to it by Petrohawk and Mission and their respective legal counsel, accountants, and other financial advisers. SMH was not authorized to negotiate the terms of the merger, and has based its opinion solely upon the merger as negotiated by others.

The summary set forth above summarizes the material analyses performed by SMH, but it does not purport to be a complete description of the analyses presented to the Petrohawk Board by SMH. The preparation of a fairness opinion is a complex process involving various judgments and determinations, assumptions and analysis and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, SMH considered the results of all of its analyses. Some of these analyses were based upon forecasts of future results, which may be significantly more or less favorable than those suggested by the analyses. The analyses do not purport to be appraisals or to reflect the prices at which Petrohawk's common stock or Mission's common stock may trade at any time after announcement of the merger. None of the companies that SMH used in the analyses of other publicly traded companies and none of the transactions used in the analyses of comparable transactions is identical to Petrohawk, Mission or the proposed merger. Accordingly, these analyses must take into account differences in the financial and operating characteristics of the selected publicly traded companies and differences in the structure and timing of the selected transactions and other factors that would affect the public trading values and acquisition values of the companies considered. Because the analyses are inherently subject to uncertainty, being based upon numerous factors and events, including, without limitation, factors related to general economic and competitive conditions beyond the control of the parties or their respective advisors, neither SMH nor any other person assumes responsibility if future results or actual values are materially different from those forecast.

In arriving at this opinion, SMH did not attribute any particular weight to any analysis undertaken or factor considered by it and believes that the totality of the analyses and factors operated collectively to support this opinion. Accordingly, SMH believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses and factors, would create an incomplete view of the process underlying this opinion. SMH believes that selecting any portion of its analyses or of the summary set forth above, without considering the analyses as a whole, would create an incomplete view of the process underlying SMH's opinion.

The Petrohawk board of directors selected SMH as its financial advisor because of its reputation as an investment banking and advisory firm with substantial experience in transactions similar to the merger. As part of its investment banking business, SMH is continually engaged in providing financial advisory services and rendering fairness opinions in connection with mergers and acquisitions, leveraged buyouts, business and securities valuations for a variety of regulatory and planning purposes, mergers, financial restructurings and private placements of debt and equity securities.

SMH received a customary fixed fee upon the delivery of this opinion and no portion of SMH's fee is contingent on the consummation of the merger or the conclusions reached in the SMH opinion. SMH has not performed investment banking services for Petrohawk in the past or received fees for other services. In addition, Petrohawk agreed, among other things, to reimburse SMH for certain of its reasonable out-of-pocket expenses incurred in connection with the services provided by SMH, including the reasonable fees of its legal counsel. Petrohawk has also agreed to indemnify SMH against various liabilities, including liabilities arising under U.S. federal securities laws or relating to or arising out of the merger or its engagement by Petrohawk. In the ordinary course of business, SMH or its affiliates may actively trade in

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Petrohawk's or Mission's securities for its own accounts and for the accounts of SMH's customers and, accordingly, may at any time hold long or short positions in such securities.

**Petrie Parkman & Co., Inc.**

Under a letter agreement dated as of August 19, 2002, as amended, Mission retained Petrie Parkman to act as a financial advisor in connection with identifying and assessing options and alternatives available to Mission, as well as considering, evaluating, and, if appropriate, executing possible tactical and strategic acquisition, divestiture, exchange merger, sale, restructuring, refinancing, or other transactions involving Mission, its assets or its securities with one or more third parties. Petrie Parkman was not requested to, and did not, render an opinion to the Mission board of directors in connection with the merger. In connection with the merger and pursuant to the engagement letter, Mission agreed to pay Petrie Parkman customary investment banking fees, which are contingent upon the consummation of the merger for its financial advisory services in connection with the merger. In addition, Mission agreed to reimburse Petrie Parkman for certain expenses incurred by it in connection with its engagement, including fees and expenses of counsel. Mission also entered into a customary indemnification agreement with Petrie Parkman.

Petrie Parkman, as part of its investment banking business is continually engaged in the evaluation of energy-related businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and evaluations for corporate or other purposes. Petrie Parkman is an internationally recognized investment banking firm that has substantial experience in transaction similar to the proposed merger. Petrie Parkman has in the recent past provided investment banking services to Mission and has received customary fees for such services.

**Opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated to the Mission Board of Directors**

On April 3, 2005, Merrill Lynch, Pierce, Fenner & Smith Incorporated delivered its oral opinion, which was subsequently confirmed in a written opinion dated April 3, 2005, to the board of directors of Mission to the effect that, as of that date and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the consideration to be received by Mission stockholders pursuant to the proposed merger was fair from a financial point of view to the holders of Mission common stock other than Petrohawk and its affiliates.

Merrill Lynch's written opinion sets forth the assumptions made, matters considered and limits on the scope of review undertaken by Merrill Lynch. Each holder of Mission common stock is encouraged to read Merrill Lynch's opinion in its entirety. Merrill Lynch's opinion was intended for the use and benefit of the board of directors of Mission, does not address the merits of the underlying decision by Mission to engage in the merger and does not constitute a recommendation to any stockholder as to how that stockholder should vote on the merger or any related matter, or as to the type of consideration such shareholder should elect to receive in the merger. In addition, Merrill Lynch was not asked to address nor does its opinion address the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of Mission, other than the holders of Mission common stock. This summary of Merrill Lynch's opinion is qualified by reference to the full text of the opinion attached as Annex C.

In arriving at its opinion, Merrill Lynch, among other things:

Reviewed certain publicly available business and financial information relating to Mission and Petrohawk that it deemed to be relevant;

Reviewed certain information, including financial forecasts, relating to the business, earnings, hydrocarbon production, cash flow, assets, liabilities and prospects of Mission and Petrohawk furnished to it by Mission and Petrohawk, respectively;

Reviewed certain proved oil and gas reserve data furnished to Merrill Lynch by Mission and Petrohawk, including the report of Netherland, Sewell & Associates, Inc. dated February 10, 2005



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with respect to the proved oil and gas reserves and related future revenues of Mission as of December 31, 2004 and the report of Netherland, Sewell & Associates, Inc. dated March 1, 2005 with respect to the proved oil and gas reserves and related future revenues of Petrohawk as of December 31, 2004, as well as information relating to potential future drilling sites and probable oil and gas reserves of Mission and the probable and possible oil and gas reserves of Petrohawk furnished to Merrill Lynch by Mission and Petrohawk, respectively;

Conducted discussions with members of senior management and representatives of Mission and Petrohawk concerning the matters described in the three bullet points above, as well as their respective businesses and prospects before and after giving effect to the merger;

Reviewed the market prices and valuation multiples for Mission common stock and Petrohawk common stock and compared them with those of certain publicly traded companies that it deemed to be relevant;

Reviewed the results of operations of Mission and Petrohawk and compared them with those of certain publicly traded companies that it deemed to be relevant;

Compared the proposed financial terms of the merger with the financial terms of certain other transactions that it deemed to be relevant;

Participated in certain discussions and limited negotiations among representatives of Mission and Petrohawk and their financial and legal advisors;

Reviewed the potential pro forma impact of the merger;

Reviewed the merger agreement; and

Reviewed such other financial studies and analyses and took into account such other matters as it deemed necessary, including its assessment of general economic, market and monetary conditions.

In preparing its opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to Merrill Lynch, discussed with or reviewed by or for Merrill Lynch, or publicly available, and did not assume any responsibility for independently verifying such information or undertaking an independent evaluation or appraisal of any of the assets or liabilities of Mission or Petrohawk and was not furnished with any such evaluation or appraisal (other than the reserve data referred to above), nor did Merrill Lynch evaluate the solvency or fair value of Mission or Petrohawk under any state or federal laws relating to bankruptcy, insolvency or similar matters. In addition, Merrill Lynch has not assumed any obligation to conduct any physical inspection of the properties or facilities of Mission or Petrohawk. With respect to the oil and gas reserve reports, hydrocarbon production forecasts or other financial forecast information furnished to or discussed with Merrill Lynch by Mission or Petrohawk, Merrill Lynch assumed that such information was reasonably prepared and reflected the best currently available estimates and judgment of Mission's or Petrohawk's management as to the expected future financial performance of Mission or Petrohawk, as the case may be, and of their respective petroleum engineers as to their respective oil and gas reserves, related future revenues and associated costs. Merrill Lynch further assumed that the merger would qualify as a tax-free reorganization for U.S. federal income tax purposes. Merrill Lynch has also assumed that the final form of the Agreement will be substantially similar to the last draft they reviewed.

The opinion of Merrill Lynch was necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information made available to Merrill Lynch as of, the date of its opinion. Merrill Lynch assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the merger, no restrictions, including any divestiture requirements or amendments or modifications, would be imposed that would have a material adverse effect on the contemplated benefits of the merger.



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In connection with the preparation of its opinion, Merrill Lynch was not authorized by Mission or its board of directors to solicit, nor did Merrill Lynch solicit third-party indications of interest for the acquisition of all or any part of Mission.

The following is a summary of the material financial and comparative analyses performed by Merrill Lynch that were presented to Mission's board of directors in connection with its opinion. The financial analyses summarized below include information presented in tabular format. In order to fully understand Merrill Lynch's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data described below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Merrill Lynch's financial analyses.

**Analysis of Mission**

*Comparable Public Companies Analysis.* Using publicly available information, Merrill Lynch compared certain financial and operating information and ratios for Mission with corresponding financial and operating information and ratios for the following six independent oil and gas exploration and production companies:

Brigham Exploration Company

Carrizo Oil and Gas, Inc.

Comstock Resources Inc.

KCS Energy, Inc.

Swift Energy Company

Whiting Petroleum Corporation

Merrill Lynch reviewed:

the ratio of the equity value to projected 2005 discretionary cash flow per share, which is referred to below as Equity value/2005E CFPS ;

the ratio of the enterprise value, which is defined as equity value plus total long term debt minus cash plus liquidation preference of preferred stock plus minority interest, to projected 2005 earnings before interest, taxes, depreciation and amortization, which is referred to below as Enterprise value/2005E EBITDA ;

the ratio of the enterprise value to the year end 2004 quantity of estimated proved reserves (adjusted as applicable) on a dollars per thousand cubic feet equivalent (assuming a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil), which is referred to below as Enterprise value/proven reserves (\$/Mcf) ; and

the ratio of the enterprise value to recently disclosed projected 2005 net daily production on a dollars per thousand cubic feet equivalent per day (assuming a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil), which is referred to below as Enterprise value/2005E daily production (\$/Mcf/d) .

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This analysis indicated the following:

**Mission Comparable Public Companies Analysis**

Benchmark	High	Low	Mean	Median	Reference Range
Equity value/2005E CFPS	9.5x	4.0x	5.7x	5.0x	3.8x 4.3x
Enterprise value/2005E EBITDA	9.1x	4.7x	6.2x	6.0x	4.5x 5.0x
Enterprise value/proved reserves (\$/Mcf)	\$ 4.20	\$ 1.44	\$ 2.69	\$ 2.49	\$ 1.75 \$2.25
Enterprise value/2005E daily production (\$/Mcf/d)	\$ 15,101	\$ 6,577	\$ 9,994	\$ 9,662	\$ 6,000 \$7,000

Using the reference ranges described above, this analysis indicated a range of implied enterprise values of Mission of approximately \$450 million to \$520 million and implied prices per share of Mission common stock of approximately \$6.27 to \$7.82 (based upon 45.5 million diluted shares outstanding and \$164.0 million of net debt), compared to the implied value of the consideration to be received in the merger of \$8.60, based upon the closing price per share of Petrohawk common stock on April 1, 2005 of \$11.53.

*Comparable Acquisition Analysis.* Using publicly available information, Merrill Lynch examined the following fifteen selected transactions in the oil and gas exploration and production industry. The transactions considered and the date each transaction was announced were as follows:

Buyer/Seller	Date Announced
Forest Oil Corporation/ Undisclosed Private Company	2/28/05
Cimarex Energy Co./ Magnum Hunter Resources, Inc.	1/26/05
XTO Energy Incorporated/ Antero Resources Corporation	1/11/05
Chesapeake Energy Corporation/ BRG Petroleum Corporation	12/27/04
Noble Energy, Inc./ Patina Oil & Gas Corporation	12/16/04
Newfield Exploration Company/ Inland Resources Inc.	8/6/04
Affiliate of Carlyle/ Riverstone Global Energy and Power Fund II, L.P./ Belden & Blake Corporation	6/17/04
Petro-Canada/ Prima Energy Corporation	6/9/04
Forest Oil Corporation/ The Wiser Oil Company	5/23/04
Pioneer Natural Resources Company/ Evergreen Resources, Inc.	5/4/04
EnCana Corporation/ Tom Brown, Inc.	4/15/04
Kerr-McGee/ Westport Resources Corporation	4/7/04
Plains Exploration & Production Company/ Nuevo Energy Company	2/12/04
Devon Energy Corporation/ Ocean Energy, Inc.	2/24/03
Plains Exploration & Production Company/3TEC Energy Corporation	2/3/03

Merrill Lynch reviewed:

the ratio of the transaction value to latest-twelve-month earnings before interest, taxes, depreciation and amortization, which is referred to below as Transaction Value/ LTM EBITDA ;

the ratio of the transaction value to the quantity of estimated proven reserves on a dollars per thousand cubic feet equivalent (assuming a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil), which is

referred to below as Transaction Value/ Reserves (\$/Mcf) ;

the ratio of the transaction value to net daily production on a dollars per thousand cubic feet equivalent per day (assuming a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil), which is referred to below as Transaction Value/ Production (\$/Mcf/d) ;

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The analysis indicated the following:

**Mission Comparable Transaction Analysis**

Benchmark	High	Low	Median	Mean	2005 Mean	2004 Mean	2003 Mean	Reference Range
Transaction Value/ LTM EBITDA	13.6x	5.0x	8.0x	7.4x	8.1x	7.2x	7.8x	6.5x 7.5x
Transaction Value/ Reserves (\$/Mcf)	\$ 3.64	\$ 0.76	\$ 1.64	\$ 1.77	\$ 1.99	\$ 1.77	\$ 1.47	\$ 2.00 \$2.50
Transaction Value/ Production (\$/Mcf/d)	\$ 12,838	\$ 3,119	\$ 7,433	\$ 7,408	\$ 7,875	\$ 7,710	\$ 5,350	\$ 8,000 \$8,500

This analysis indicated a range of implied enterprise values of Mission of approximately \$485 million to \$560 million, and implied prices per share of Mission common stock of approximately \$7.08 to \$8.70 (based upon 45.5 million diluted shares outstanding and \$164.0 million of net debt), compared to the implied value of the consideration to be received in the merger of \$8.60, based upon the closing price per share of Petrohawk common stock on April 1, 2005 of \$11.53.

*Merger Premium Analysis.* Merrill Lynch reviewed the premiums paid in the following ten cash component business combinations in the oil and gas exploration and production industry. The transactions considered, including the date each transaction was announced, were as follows:

Buyer/Seller	Date Announced
Noble Energy Inc./ Patina Oil & Gas Corp.	12/16/04
Petro-Canada/ Prima Energy Corporation	6/9/04
Forest Oil Corporation/ Wisser Oil Company	5/23/04
Pioneer Natural Resources/ Evergreen Resources	5/4/04
EnCana Corp./ Tom Brown, Inc.	4/15/04
Hawker Resources, Inc./ Southward Energy Ltd.	3/17/03
Cerberus Capital Management, L.P./ Exco Resources Inc.	3/12/03
Plains Exploration & Production Company/3TEC Energy Corporation	2/3/03
Canadian Natural/ Rio Alto Exploration	5/13/02
Paramount Resources/ Summit Resources	5/12/02

For each transaction listed above, Merrill Lynch calculated the premium represented by the offer price over the target company's share price for the one day period prior to the transaction's announcement and the target company's average share price for the ten day and thirty day periods prior to the transaction's announcement. This analysis indicated the following:

**Mission Merger Premium Analysis**

Time Period (Prior to Transaction Announcement)	High Premium	Low Premium	Mean Premium	Median Premium
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One day	32.2%	(4.0)%	14.5%	18.7%
10 days	31.7%	(3.5)%	15.3%	18.8%
30 days	37.4%	5.9%	17.9%	17.5%

Merrill Lynch used the mean historical premium and the closing price per share of Mission common stock for the corresponding periods prior to the announcement of the merger, and adjusted the low end of the implied value per share downward to reflect no premium to the closing price per share of Mission common stock one day prior to the announcement of the merger to take into account the fact that certain recent cash component mergers had been announced with no premium, or a discount, to the one day prior closing price. This analysis indicated a range of implied prices per share of Mission common stock of

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approximately \$7.22 to \$8.41, compared to the implied value of the consideration to be received in the merger of \$8.60, based upon the closing price per share of Petrohawk common stock on April 1, 2005 of \$11.53.

*Discounted Cash Flow Analysis.* Merrill Lynch performed a discounted cash flow analysis for Mission to estimate the net asset value of Mission common stock. Merrill Lynch evaluated two scenarios: (1) Strip Pricing and (2) Strip/Flat Pricing. The principal variable in the scenarios were assumed oil and natural gas prices. The Strip Pricing scenario is based on the forward strip through 2010 as of April 1, 2005 and held at the 2010 strip thereafter. The Strip/Flat Pricing scenario is based on the forward strip through 2007 as of April 1, 2005 and \$35.00/ Bbl oil and \$5.00/Mcf natural gas thereafter. Using financial forecasts provided by Mission management, Merrill Lynch discounted the projected after-tax cash flows from Mission at rates ranging from 8% to 10%, and applied a risk weighting to the proved reserves and probable reserves that it deemed appropriate based upon its judgment. This analysis indicated a range of implied net asset values of Mission of approximately \$200 million to \$345 million and implied values per share of Mission common stock of approximately \$4.39 to \$7.59 (based upon 45.5 million diluted shares outstanding and \$164.0 million of net debt), compared to the implied value of the consideration to be received in the merger of \$8.60, based upon the closing price per share of Petrohawk common stock on April 1, 2005 of \$11.53.

*Historical Stock Performance.* Merrill Lynch reviewed historical trading prices for Mission common stock. This review indicated that during the one year period ending April 1, 2005, the Mission common stock traded as low as \$3.08 per share and as high as \$7.98 per share, compared to the implied value of the consideration to be received in the merger of \$8.60, based upon the closing price per share of Petrohawk common stock on April 1, 2005 of \$11.53.

**Analysis of Petrohawk**

*Comparable Public Companies Analysis.* Using publicly available information, Merrill Lynch compared certain financial and operating information and ratios for Petrohawk with corresponding financial and operating information and ratios for the independent oil and gas exploration and production companies listed above under Analysis of Mission Comparable Public Companies Analysis . Merrill Lynch reviewed:

the ratio of the equity value to projected 2005 discretionary cash flow per share, which is referred to below as Equity value/2005E CFPS ;

the ratio of the enterprise value to projected 2005 earnings before interest, taxes, depreciation and amortization, which is referred to below as Enterprise value/2005E EBITDA ;

the ratio of the enterprise value to the year end 2004 quantity of estimated proved reserves (adjusted as applicable) on a dollars per thousand cubic feet equivalent (assuming a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil), which is referred to below as Enterprise value/proven reserves (\$/Mcf) ; and

the ratio of the enterprise value to recently disclosed projected 2005 net daily production on a dollars per thousand cubic feet equivalent per day (assuming a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil), which is referred to below as Enterprise value/2005E daily production (\$/Mcf/d) .



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This analysis indicated the following:

**Petrohawk Comparable Public Companies Analysis**

Benchmark	High	Low	Mean	Median	Reference Range
Equity value/2005E CFPS	9.5x	4.0x	5.7x	5.0x	4.5x 5.5x
Enterprise value/2005E EBITDA	9.1x	4.7x	6.2x	6.0x	5.5x 6.5x
Enterprise value/proved reserves (\$/Mcf)	\$ 4.20	\$ 1.44	\$ 2.69	\$ 2.49	\$ 2.75 \$3.25
Enterprise value/2005E daily production (\$/Mcf/d)	\$ 15,101	\$ 6,577	\$ 9,994	\$ 9,662	\$ 9,000 \$10,000

Using the reference ranges described above, this analysis indicated a range of implied enterprise values of Petrohawk of approximately \$615 million to \$710 million, and implied prices per share of Petrohawk common stock of approximately \$7.92 to \$9.75 (based upon 52.3 million diluted shares outstanding and \$199.8 million of net debt), compared to the closing price per share of Petrohawk common stock on April 1, 2005 of \$11.53.

*Discounted Cash Flow Analysis.* Merrill Lynch performed a discounted cash flow analysis for Petrohawk to estimate the net asset value of Petrohawk common stock. Merrill Lynch evaluated two scenarios: (1) Strip Pricing and (2) Strip/ Flat Pricing. The principal variable in the scenarios were assumed oil and natural gas prices. The Strip Pricing scenario is based on the forward strip through 2010 as of April 1, 2005 and held at the 2010 strip thereafter. The Strip/ Flat Pricing scenario is based on the forward strip through 2007 as of April 1, 2005 and \$35.00/ Bbl oil and \$5.00/ Mcf natural gas thereafter. Using financial forecasts provided by Petrohawk management, Merrill Lynch discounted the projected after-tax cash flows from Petrohawk at rates ranging from 8% to 10%, and applied a risk weighting for proved, probable and possible reserves that it deemed appropriate based upon its judgment. This analysis indicated a range of implied net asset values of Petrohawk of \$380 million to \$565 million, and implied values per share of Petrohawk common stock of approximately \$7.24 to \$10.80 (based upon 52.3 million diluted shares outstanding and \$199.8 million of net debt), compared to the closing price per share of Petrohawk common stock on April 1, 2005 of \$11.53.

*Historical Stock Performance.* Merrill Lynch reviewed historical trading prices for Petrohawk common stock. This review indicated that during the one year period ending April 1, 2005, the Petrohawk common stock traded as low as \$5.50 per share and as high as \$11.94 per share, compared to the closing price per share of Petrohawk common stock on April 1, 2005 of \$11.53.

*Exchange Ratio Analysis.* Merrill Lynch used the implied share prices from its Comparable Companies Analysis and Discounted Cash Flow Analysis, for both Mission and Petrohawk, in order to calculate a range of implied exchange ratios. The range of implied exchange ratios was calculated by dividing the implied low share price of Mission by the implied high share price of Petrohawk for each of the analyses, and by dividing the implied high share price of Mission by the implied low share price of Petrohawk for each of the analyses. The calculated exchange ratios were then multiplied by 62.1%, representing the implied equity percentage of aggregate consideration pursuant to the merger agreement based on the closing price per share of Petrohawk common stock on April 1, 2005 of \$11.53. Each range of implied exchange ratios was compared to 0.4631, the exchange ratio specified in the merger agreement for calculating the value of the equity component of the merger consideration. For each methodology, the equity component exchange ratio of 0.4631 was above the low end of the range.

*Pro Forma Analysis.* Merrill Lynch analyzed the pro forma effect of the merger and estimated the resulting accretion/dilution to the combined company's projected per-share earnings and discretionary cash flow during 2005 and 2006.

This analysis indicated that, based on Mission and Petrohawk IBES consensus estimates (without giving effect to any projected synergies), the merger would be slightly dilutive to projected earnings per share in 2005 and 2006 for the combined company as compared to the same estimates for Petrohawk on a



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stand-alone basis, and accretive to projected discretionary cash flow per share for the combined company in 2005 and 2006, as compared to the same estimates for Petrohawk on a stand-alone basis.

The summary set forth above summarizes the material analyses performed by Merrill Lynch but does not purport to be a complete description of the analyses performed by Merrill Lynch in arriving at its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial or summary description. Accordingly, Merrill Lynch believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by Merrill Lynch, without considering all analyses and factors, could create an incomplete view of the processes underlying the Merrill Lynch opinion. Merrill Lynch did not assign relative weights to any of its analyses in preparing its opinion. The matters considered by Merrill Lynch in its analyses were based on numerous macroeconomic, operating and financial assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond Mission's and Merrill Lynch's control and involve the application of complex methodologies and educated judgments. In addition, no company utilized as a comparison in the analyses described above is identical to Mission or Petrohawk, and none of the transactions utilized as a comparison is identical to the merger.

Mission's board of directors selected Merrill Lynch to deliver its opinion because of Merrill Lynch's reputation as an internationally recognized investment banking firm with substantial experience in transactions similar to the merger and because Merrill Lynch is familiar with Mission and its business. As part of Merrill Lynch's investment banking business, Merrill Lynch is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, secondary distributions of listed and unlisted securities and private placements.

Pursuant to the terms of the engagement letter dated March 22, 2005 between Merrill Lynch and Mission, Mission was required to pay and has paid Merrill Lynch a fee of \$1.0 million upon the delivery of Merrill Lynch's fairness opinion dated April 3, 2005. In addition, Mission agreed to indemnify Merrill Lynch for certain liabilities arising out of its engagement and to reimburse Merrill Lynch for certain expenses incurred in connection with this engagement, including the reasonable fees and disbursements of counsel, regardless of whether or not the merger is consummated. Merrill Lynch has, in the past, provided financial advisory services to Mission. Merrill Lynch may continue to provide services for Mission and Petrohawk and may receive fees for the rendering of such services. In addition, in the ordinary course of business, Merrill Lynch may actively trade the Mission common stock and other securities of Mission, as well as the common stock of Petrohawk and other securities of Petrohawk, for its own account and for the accounts of its customers and, accordingly, Merrill Lynch may at any time hold a long or short position in such securities.

**Merger Consideration**

The merger agreement provides that at the effective time of the merger each share of Mission common stock issued and outstanding immediately prior to the effective time will be converted into the right to receive either a number of shares of Petrohawk common stock or an amount of cash, in each case as described below. Mission stockholders will have the right to elect to receive either cash or Petrohawk common stock with respect to each share of Mission common stock they hold, such that each Mission stockholder may elect to receive his or her merger consideration entirely in cash, entirely in Petrohawk common stock or in a combination of cash and Petrohawk common stock, subject in each case to the allocation procedures described below. See Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration; Allocations Election Procedure and Allocation. In our discussion we refer to the number of shares of Petrohawk common stock to be received for each share of Mission common stock being converted into Petrohawk stock as the per share stock consideration, and we refer to the amount of cash to be received for each share of Mission common stock being converted into cash as the per share cash consideration.

In the merger, Petrohawk will issue approximately 19.234 million shares of common stock and will pay approximately \$135.4 million in cash (based on the outstanding shares of Mission common stock on

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March 31, 2005 and in each case subject to upward adjustment, up to approximately 1.8 million shares of common stock and \$12.7 million in cash, in the event that any additional shares of Mission common stock are issued in accordance with the merger agreement pursuant to the exercise of Mission stock options or otherwise). The actual per share stock consideration and per share cash consideration to be paid to Mission stockholders cannot be determined until after the effective time of the merger. We intend to announce these amounts when known.

Subject to the allocation procedures described below, the cash consideration to be paid for each share of Mission common stock in respect of which a cash election is made will be equal to the amount obtained by dividing the aggregate consideration by the total common stock amount. In our discussion we also refer to that amount as the per share consideration.

The aggregate consideration is the dollar amount of the sum of:

the product of (1) the aggregate number of shares of Petrohawk common stock that Petrohawk will issue pursuant to the merger (which is the product of 0.7718 and 60% of the total common stock amount ) and (2) the Average Petrohawk Common Stock Value (referred to in the merger agreement as the final parent stock price ), and

the aggregate amount of cash Petrohawk will pay pursuant to the merger (which is the product of (1) 40% of the total common stock amount and (2) \$8.15). We refer to this aggregate amount of cash as the total cash amount.

The Average Petrohawk Common Stock Value is the volume-weighted average of the closing prices per share of Petrohawk common stock as reported on the Nasdaq National Market during the ten consecutive trading day period during which the shares of Petrohawk common stock are traded on the Nasdaq National Market ending on the third calendar day immediately prior to the effective time of the merger (or, if such calendar day is not a trading day, ending on the trading day immediately preceding such calendar day). We refer to this ten consecutive trading day period as the valuation period.

The total common stock amount is the total number of shares of Mission common stock outstanding immediately prior to the effective time of the merger; provided that, for purposes of determining the aggregate consideration, the total common stock amount will not exceed the sum of 41,535,088 (the number of shares of Mission common stock outstanding on March 31, 2005) and 5,832,715 (the number of shares of Mission common stock permitted to be issued by Mission prior to the merger pursuant to existing stock options under the terms of the merger agreement).

Subject to the allocation procedure described below, the consideration to be paid for each share of Mission common stock in respect of which a stock election is made will be the number of shares of Petrohawk common stock equal to the exchange ratio, which is the number obtained by dividing the per share consideration by the Average Petrohawk Common Stock Value.

The formula described above is designed to substantially equalize the value of the consideration to be received for each share of Mission common stock in the merger at the time the calculation is made, regardless of whether a Mission stockholder elects to receive cash, Petrohawk common stock, or a combination of cash and Petrohawk common stock. This equalization mechanism was deemed to be desirable because the value of the Petrohawk common stock will fluctuate. The value of the merger consideration to be received with respect to each share of Mission common stock will be equal to \$3.26 plus approximately \$0.4631 per \$1.00 of Average Petrohawk Common Stock Value.

In order to ensure that the value of the consideration for each share of Mission common stock is as equal as possible upon receipt by Mission stockholders, regardless of the form of the consideration, the equalization mechanism is to be applied based on the Average Petrohawk Common Stock Value. The formula is also designed to fix the total number of shares of Petrohawk common stock and the amount of cash to be issued and paid, respectively, in the merger (in each case subject to upward adjustment, up to approximately 1.8 million shares of common stock and \$12.7 million in cash, in the event that any shares



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of Mission common stock are issued in accordance with the merger agreement pursuant to the exercise of Mission stock options or otherwise). Because the amount of cash and the number of shares of Petrohawk common stock to be paid and issued, respectively, in the merger are fixed at approximately \$135.4 million and 19.234 million shares, respectively, the percentage of shares of Mission common stock that will be exchanged for Petrohawk common stock and the percentage that will be exchanged for cash will depend upon the Average Petrohawk Common Stock Value. The greater the Average Petrohawk Common Stock Value, the greater the percentage of shares of Mission common stock that will be exchanged for shares of Petrohawk common stock and the lesser the Average Petrohawk Common Stock Value, the greater the percentage of shares of Mission common stock that will be exchanged for cash.

For example, if the Average Petrohawk Common Stock Value is \$11.00, a Mission stockholder receiving stock would receive 0.7594 shares of Petrohawk common stock per share of Mission common stock having a value, based on such Average Petrohawk Common Stock Value, of \$8.35 per share, and a Mission stockholder receiving cash would receive \$8.35 in cash per share of Mission common stock, subject in each case to the allocation procedures described below. Based on that Average Petrohawk Common Stock Value, approximately 39% of the outstanding shares of Mission common stock would be exchanged for cash, and approximately 61% would be exchanged for Petrohawk common stock.

The greater the Average Petrohawk Common Stock Value, the lesser the number of shares of Mission common stock that will be exchanged for cash and the greater the number of shares that will be exchanged for Petrohawk common stock. For example, if the Average Petrohawk Common Stock Value is \$12.00, then approximately 37% of the outstanding shares of Mission common stock would be exchanged for cash, and approximately 63% would be exchanged for Petrohawk common stock. Based on an Average Petrohawk Common Stock Value of \$12.00, a Mission stockholder receiving stock would receive 0.7341 shares of Petrohawk common stock per share of Mission common stock having a value, based on such Average Petrohawk Common Stock Value, of \$8.81 per share, and a Mission stockholder receiving cash would receive \$8.81 in cash per share of Mission common stock, subject in each case to the allocation procedures described below.

Conversely, the lesser the Average Petrohawk Common Stock Value the greater the number of shares of Mission common stock that will be exchanged for cash and the lesser the number of shares that will be exchanged for Petrohawk common stock. For example, if the Average Petrohawk Common Stock Value is \$9.00, then approximately 44% of the outstanding shares of Mission common stock would be exchanged for cash, and approximately 56% would be exchanged for Petrohawk common stock. Based on an Average Petrohawk Common Stock Value of \$9.00, a Mission stockholder receiving stock would receive 0.8255 shares of Petrohawk common stock per share of Mission common stock having a value, based on such Average Petrohawk Common Stock Value, of \$7.43 per share, and a Mission stockholder receiving cash would receive \$7.43 in cash per share of Mission common stock, subject in each case to the allocation procedures described below.

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The following table sets forth, based on various hypothetical Average Petrohawk Common Stock Values, the per share cash consideration and the per share stock consideration, as well as the value of such stock consideration based on the hypothetical Average Petrohawk Common Stock Values. The table also shows the percentage of outstanding shares of Mission common stock that would be converted into Petrohawk common stock and cash based on such Average Petrohawk Common Stock Value. The table is based on the assumption that no Mission options have been exercised following the date of this joint proxy statement/ prospectus and prior to the closing of the merger, that no additional shares of Mission common stock are otherwise issued following the date of this joint proxy statement, and that the number of exchangeable shares is 41,535,088 (the number of shares of Mission common stock outstanding on April 1, 2005). To the extent that the number of shares of Mission common stock outstanding increases in accordance with the merger agreement (whether as a result of the exercise of Mission options or otherwise), the number of exchangeable shares will increase and the aggregate transaction value will increase, but there will be no change in the per share stock consideration or per share cash consideration. Each additional exchangeable share of Mission common stock will increase the aggregate transaction value by 0.4631 shares of Petrohawk common stock and \$3.26 in cash.

Average Petrohawk Common Stock Value	Transaction Value	Per Share Stock Consideration (Shares of Petrohawk Common Stock)			Percentage of Outstanding Shares of Mission Common Stock to Receive:	
		Petrohawk Common Stock)	Value of Per Share Stock Consideration	Per Share Cash Consideration	Stock Consideration	Cash Consideration
\$13.50	\$ 395,064,312	0.7046	\$ 9.5121	\$ 9.5116	65.73%	34.27%
13.25	390,255,795	0.7091	9.3956	9.3958	65.30	34.70
13.00	385,447,278	0.7138	9.2794	9.2800	64.87	35.13
12.75	380,638,761	0.7188	9.1647	9.1643	64.43	35.57
12.50	375,830,244	0.7239	9.0488	9.0485	63.97	36.03
12.25	371,021,727	0.7292	8.9327	8.9327	63.50	36.50
12.00	366,213,209	0.7347	8.8164	8.8170	63.03	36.97
11.75	361,404,692	0.7405	8.7009	8.7012	62.53	37.47
11.50	356,596,175	0.7466	8.5859	8.5854	62.03	37.97
11.25	351,787,658	0.7529	8.4701	8.4696	61.51	38.49
11.00	346,979,141	0.7594	8.3534	8.3539	60.98	39.02
10.75	342,170,624	0.7663	8.2377	8.2381	60.43	39.57
10.50	337,362,107	0.7736	8.1228	8.1223	59.86	40.14
10.25	332,553,590	0.7811	8.0063	8.0066	59.28	40.72
10.00	327,745,072	0.7891	7.8910	7.8908	58.69	41.31
9.75	322,936,555	0.7974	7.7747	7.7750	58.07	41.93
9.50	318,128,038	0.8062	7.6589	7.6593	57.44	42.56
9.25	313,319,521	0.8155	7.5434	7.5435	56.78	43.22
9.00	308,511,004	0.8253	7.4277	7.4277	56.11	43.89
8.75	303,702,487	0.8357	7.3124	7.3119	55.42	44.58
8.50	298,893,970	0.8466	7.1961	7.1962	54.70	45.30
8.25	294,085,452	0.8582	7.0802	7.0804	53.96	46.04
8.00	289,276,935	0.8706	6.9648	6.9646	53.19	46.81

Assuming an Average Petrohawk Common Stock Value of \$11.53, which was the closing price of Petrohawk common stock on April 1, 2005, the last trading day prior to the announcement of the proposed merger, the merger consideration would have a value of approximately \$8.60 per share of Mission common stock. Assuming an Average Petrohawk Common Stock Value of \$ \_\_\_\_\_ which was the closing price of Petrohawk common stock on \_\_\_\_\_, 2005, the last business day prior to the date of this document, the



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merger consideration would have a value of approximately \$ \_\_\_\_\_ per share of Mission common stock. Assuming an Average Petrohawk Common Stock Value of \$ \_\_\_\_\_ based on the volume-weighted average of the closing prices per share of Petrohawk common stock during the ten consecutive trading days ended three calendar days prior to the date of mailing of this joint proxy statement/ prospectus, the merger consideration would have a value of approximately \$ \_\_\_\_\_ per share of Mission common stock.

The actual value of the cash consideration or number of shares of Petrohawk common stock that you will receive for each share of Mission common stock you hold may differ from the hypothetical amounts shown in this example because the actual amounts will be determined after the effective time of the merger based on a formula set forth in the merger agreement and described in this document.

No assurance can be given that the current fair market value of Petrohawk common stock will be equivalent to the fair market value of Petrohawk common stock on the date that the merger consideration is received by a Mission stockholder or at any other time. The actual fair market value of the Petrohawk common stock received by Mission stockholders depends upon the fair market value of Petrohawk common stock upon receipt, which may be higher or lower than the Average Petrohawk Common Stock Value or the market price of Petrohawk common stock on the date the merger was announced, on the date that this document is mailed to Mission's stockholders, on the date a Mission stockholder makes an election with respect to the merger consideration or on the date of the special meeting of Mission stockholders.

If, between the date of the merger agreement and the effective time, the shares of Petrohawk common stock are changed into a different number or class of shares by reason of reclassification, split-up, combination, exchange of shares or similar readjustment, or a stock dividend is declared with a record date within that period, appropriate adjustments will be made to the per share cash consideration and the per share stock consideration.

No fractional shares of Petrohawk common stock will be issued to any holder of Mission common stock in connection with the merger. For each fractional share that would otherwise be issued, Petrohawk will pay cash in an amount equal to the fraction multiplied by the average of the closing sale prices of Petrohawk common stock on the Nasdaq National Market for the five trading days immediately preceding the date on which the merger occurs. No interest will be paid or accrued on cash payable in lieu of fractional shares of Petrohawk common stock.

**Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration; Allocations**

The conversion of Mission common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. As soon as reasonably practicable after the effective time of the merger, American Stock Transfer & Trust Company, as exchange agent, will exchange certificates formerly representing shares of Mission common stock for merger consideration to be received in the merger pursuant to the terms of the merger agreement.

***Election Procedure***

Subject to the allocation mechanism described below, each Mission stockholder may elect to receive with respect to his or her shares of Mission common stock, all cash, all Petrohawk common stock or a combination of cash and Petrohawk common stock.

*Cash Election Shares.* Stockholders who elect to receive cash for some or all of their shares will receive the per share cash consideration in respect of that portion of such holder's shares of Mission common stock equal to such holder's cash election, subject to the allocation mechanism described below. In our discussion we refer to the shares for which cash elections have been made as cash election shares.

*Stock Election Shares.* Stockholders who elect to receive Petrohawk common stock for some or all of their shares will receive the per share stock consideration in respect of that portion of such holder's shares of Mission common stock equal to such holder's stock election, subject to the allocation mechanism

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described below. In our discussion we refer to the shares for which stock elections have been made as stock election shares.

*No Election Shares.* Stockholders who indicate that they have no preference as to whether they receive cash or Petrohawk common stock, and stockholders who do not make a valid election, will be deemed to have made no election. Stockholders who are deemed to have made no election will receive the per share stock consideration unless there is an oversubscription of the stock consideration, in which case they may receive the per share cash consideration for some or all their shares of Mission common stock. In our discussion we refer to the shares held by stockholders who have made no election as no election shares. See Allocation beginning on page 64 of this document.

For example, assuming a Mission stockholder holds 100 shares of Mission stock (and that the Average Petrohawk Common Stock Value is \$11.00), if such stockholder made:

*an all cash election*, he or she would receive approximately \$835 in cash;

*an all stock election*, he or she would receive 75 shares of Petrohawk common stock (and cash in lieu of fractional shares); and

*an election for a combination of cash and stock*, he or she would receive approximately \$8.35 for each cash election share and approximately 0.7594 shares of Petrohawk common stock for each stock election share.

Assuming 50 cash election shares and 50 stock election shares, the Mission stockholder would receive approximately \$417.50 in cash, 37 shares of Petrohawk common stock and cash in lieu of fractional shares.

The actual allocation of cash and stock would be subject in each case to the allocation procedures described under the heading Allocation beginning on page 64 of this document.

**A fixed total number of shares of Petrohawk common stock will be issued and a fixed total amount of cash paid in the merger. Accordingly, there is no assurance that a holder of Mission common stock will receive the form of consideration that the holder elects with respect to any or all shares of Mission common stock held by that holder. If the elections result in an oversubscription with respect to shares of Mission common stock which would otherwise receive either the per share stock consideration or the per share cash consideration, the procedures for allocating Petrohawk common stock and cash described below under Allocation will be followed by the exchange agent.**

*Election Form.* Together with this joint proxy statement/ prospectus, each Mission stockholder received an election form and other appropriate and customary transmittal materials. Each election form allows the holder to specify (1) the number of shares with respect to which the holder elects to receive the per share stock consideration, (2) the number of shares with respect to which the holder elects to receive the per share cash consideration or (3) that the holder makes no election. Petrohawk will also make available forms of election to persons who become holders of Mission common stock subsequent to the record date for the Mission special meeting up until the close of business on the business day prior to the election deadline.

Holders of Mission common stock who wish to elect the type of merger consideration they will receive in the merger should carefully review and follow the instructions set forth in the election form. Shares of Mission common stock as to which the holder has not made a valid election prior to the election deadline, which is 5:00 p.m., Houston, Texas time, on , 2005, will be deemed no election shares.

**To make an election, a holder of Mission common stock must submit a properly completed election form so that it is actually received by the exchange agent at or prior to the election deadline in accordance with the instructions on the election form. An election form will be properly completed only if accompanied by certificates representing all shares of Mission common stock covered by the election form (or appropriate evidence as to the loss, theft or destruction of such certificate, appropriate evidence as to the ownership of that certificate by the claimant, and appropriate and customary indemnification).** If a stockholder cannot deliver his or her stock certificates to the exchange agent by the election deadline, a stockholder may deliver a notice of guaranteed delivery promising to deliver his or her stock certificates,



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as described in the election form, so long as (1) the guarantee of delivery is from a firm which is a member of a registered national securities exchange or a commercial bank or trust company having an office in the U.S. and (2) the actual stock certificates are in fact delivered to the exchange agent by the time set forth in the guarantee of delivery. If you own shares of Mission common stock in street name by your broker or other nominee and you wish to make an election, you should seek instructions from the broker or other nominee holding your shares concerning how to make your election.

An election may be revoked or changed by the person submitting the election form prior to the election deadline. In the event of a revocation of an election, the exchange agent will, upon receiving a written request from the holder of Mission common stock making a revocation, return the certificates of Mission common stock submitted by that holder, and that holder will be deemed to have made no election. The exchange agent will have reasonable discretion to determine whether any election, revocation or change has been properly or timely made and to disregard immaterial defects in the election forms, and any good faith decisions of the exchange agent regarding these matters will be binding and conclusive.

**Neither Petrohawk nor the exchange agent will be under any obligation to notify any person of any defects in an election form.** If you instructed a broker to submit an election for your shares, you must follow your broker's directions for changing those instructions.

Shares of Mission common stock as to which the holder has not made a valid election prior to the election deadline, including as a result of revocation, will be deemed no election shares. If it is determined that any purported cash election or stock election was not properly made, the purported election will be deemed to be of no force or effect and the holder making the purported election will be deemed not to have made an election for these purposes, unless a proper election is subsequently made on a timely basis.

### ***Letter Of Transmittal***

Soon after the effective time of the merger, the exchange agent will send a letter of transmittal to each person who was a Mission stockholder at the effective time of the merger who has not previously and properly surrendered certificates representing shares of Mission common stock to the exchange agent. This mailing will contain instructions on how to surrender certificates formerly representing shares of Mission common stock (if these certificates have not already been surrendered) in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

If certificates formerly representing shares of Mission common stock are presented for transfer after the effective time of the merger, they will be exchanged for the merger consideration into which the shares of Mission common stock formerly represented by that certificate shall have been converted.

If a certificate formerly representing shares of Mission common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of appropriate evidence as to that loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, and appropriate and customary indemnification.

### ***Allocation***

A fixed number of shares of Petrohawk common stock will be issued and a fixed amount of cash paid in the merger in each case subject to upward adjustment in the event that any shares of Mission common stock are issued in accordance with the merger agreement pursuant to Mission stock options or otherwise. Accordingly, there is no assurance that you will receive the form or combination of consideration that you elect with respect to any or all shares of Mission common stock you hold. If the elections of all of the Mission stockholders result in an oversubscription of the pool of cash or Petrohawk common stock, the exchange agent will allocate between cash and Petrohawk common stock in the manner described below.

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*Oversubscription of the Cash Consideration.* If the aggregate cash amount that would be paid upon the conversion in the merger of the cash election shares is more than the total cash amount, then:

all stock election shares and no election shares will be converted into the right to receive the per share stock consideration;

the exchange agent will then select from among the cash election shares, by a pro rata selection process, a sufficient number of shares such that the aggregate cash amount that will be paid in the merger equals as closely as practicable the total cash amount;

all cash election shares selected by the exchange agent through the pro rata selection process described above will be converted into the right to receive the per share stock consideration; and

the cash election shares that have not been selected by the exchange agent to be converted into the per share stock consideration will be converted into the right to receive the per share cash consideration.

*Oversubscription of the Stock Consideration.* If the aggregate cash amount that would be paid upon the conversion in the merger of the cash election shares is less than the total cash amount, then:

all cash election shares will be converted into the right to receive the per share cash consideration;

the exchange agent will then select from among the non-electing shares and then, if necessary, from among the stock election shares, by a pro rata selection process, a sufficient number of shares such that the aggregate cash amount that will be paid in the merger equals as closely as practicable the total cash amount;

all no election and stock election shares selected by the exchange agent through the pro rata selection process described above will be converted into the right to receive the per share cash consideration; and

the stock election shares and any no election shares that have not been selected by the exchange agent to be converted into the per share cash consideration will be converted into the right to receive the per share stock consideration.

The allocation described above will be computed by the exchange agent within 10 days after the election deadline, unless the merger has not been completed, in which case the allocation will be completed as soon as practicable after the effective time of the merger. The exchange agent will use an equitable pro rata allocation process to be mutually determined by Mission and Petrohawk.

**Because the U.S. federal income tax consequences of receiving cash or Petrohawk common stock, or both cash and Petrohawk common stock, will differ, Mission stockholders are urged to read carefully the information set forth under the heading *Material U.S. Federal Income Tax Consequences* and to consult their tax advisors for a full understanding of the merger's tax consequences to them. In addition, because the stock consideration can fluctuate in value from the determination made during the valuation period, the economic value per share received by Mission stockholders who receive the stock consideration may, as the date of receipt by them, be more or less than the amount of cash consideration per share received by Mission stockholders who receive cash consideration.**

***Dividends and Distributions***

Until you surrender your Mission stock certificates for exchange, any dividends or other distributions declared after the effective time with respect to Petrohawk common stock into which any of your shares may have been converted will accrue, but will not be paid. When you surrender your certificates, Petrohawk will pay any unpaid dividends or other distributions, without interest. After the effective time, there will be no transfers on the stock transfer books of Mission of any shares of Mission common stock.

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### ***Withholding***

Each of Petrohawk, the surviving corporation and the exchange agent will be entitled to deduct and withhold from the merger consideration payable to any Mission stockholder the amounts it is required to deduct and withhold under the Internal Revenue Code or any state, local or foreign tax law. Withheld amounts will be treated for all purposes of the merger as having been paid to the stockholders from whom they were withheld.

### **Treatment of Stock Options**

Pursuant to their terms and the Mission stock option plans, all options to acquire Mission common stock that are outstanding prior to the merger will automatically become vested and exercisable at the effective time of the merger. Each outstanding option to acquire Mission common stock granted under Mission's stock option plans that is outstanding and unexercised immediately prior to the effective time of the merger will be converted automatically at the effective time of the merger into an option to purchase Petrohawk common stock and will continue to be governed by the terms of the Mission stock plan and related agreement under which it was granted, except that:

the number of shares of Petrohawk common stock subject to the new Petrohawk stock option will be equal to the product of the number of shares of Mission common stock subject to the Mission stock option and the exchange ratio (determined as described above under the heading "Merger Consideration"), rounded up or down to the nearest whole share; and

the exercise price per share of Petrohawk common stock subject to the new Petrohawk stock option will be equal to the exercise price per share of Mission common stock under the Mission stock option divided by the exchange ratio, rounded up or down to the nearest whole cent.

in any event, all options to acquire Mission common stock will be adjusted in a manner that satisfies the requirements of Section 424(a) of the Internal Revenue Code and the regulations thereunder. If an option holder ceases to be a director, officer, or employee, or consultant of the combined company or any of its affiliates, such option shall remain exercisable in accordance with the terms of Mission's stock option plans and employment agreements, if applicable. Additionally, each option plan shall not be amended or modified in a manner that would result in a termination of or have an adverse effect on options previously granted or in a manner that would result in any option becoming deferred compensation under Section 409A of the Internal Revenue Code.

### **Effective Time**

The merger will be completed when we file a certificate of merger with the Secretary of State of the State of Delaware.

Subject to satisfaction of the other conditions to the merger, we anticipate that the closing of the merger will occur within five business days after the approval of the merger by the requisite votes of the Mission stockholders and the approval of the issuance of shares of Petrohawk common stock by the requisite vote of the Petrohawk stockholders. However, the effective time of the merger could be delayed if there is a delay in satisfying any conditions to the merger. There can be no assurances as to whether, or when, Petrohawk and Mission will obtain the required approvals or complete the merger. If the merger is not completed on or before December 31, 2005, either Petrohawk or Mission may terminate the merger agreement, unless the failure to complete the merger by that date is due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligations under the merger agreement or a material breach of the merger agreement by such party. See "Conditions to the Completion of the Merger" immediately below.

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**Conditions to the Completion of the Merger**

The completion of the merger is subject to various conditions. While it is anticipated that all of these conditions will be satisfied, there can be no assurance as to whether or when all of the conditions will be satisfied or, where permissible, waived.

***Conditions to Each Party's Obligations***

Each party's obligation to complete the merger is subject to the satisfaction or waiver of the following conditions: adoption and approval by Mission's stockholders of the merger agreement and the merger;

approval by Petrohawk's stockholders of the issuance of Petrohawk shares in the merger;

approval by the Nasdaq National Market of listing of the shares of Petrohawk common stock to be issued in the merger, subject to official notice of issuance;

other than the filing of the certificate of merger in accordance with the DGCL, the receipt of all authorizations, consents and approvals of all governmental entities required to be obtained prior to consummation of the merger, except for such authorizations, consents and approvals the failure of which to be obtained individually or in the aggregate has not had, and would not be reasonably likely to have or result in, a material adverse effect on any party to the merger agreement;

effectiveness of the registration statement, of which this joint proxy statement/ prospectus constitutes a part, and absence of any stop order or proceedings for such purpose pending before or threatened by the SEC; and

absence of any statute, rule, order, decree or regulation, and of any action taken by any court or other governmental entity of competent jurisdiction, which temporarily, preliminarily or permanently restrains, precludes, enjoins or otherwise prohibits the consummation of the merger or makes the merger illegal.

***Additional Conditions to Mission's Obligations***

The obligation of Mission to complete the merger is subject to the satisfaction or waiver of the following conditions:

accuracy of Petrohawk's and Merger Sub's representations and warranties contained in the merger agreement both at and as of the date of the merger agreement and at and as of the closing date of the merger, as if made at and as of the closing date of the merger (except to the extent expressly made as of an earlier date, in which case as of such date), except where, in the case of all representations and warranties except those regarding Petrohawk's capitalization, corporate power and authority, tax matters, validity of the merger agreement and SEC reports, the failure to be accurate individually or in the aggregate has not had, and would not be reasonably likely to have or result in, a material adverse effect on Petrohawk;

the performance in all material respects by Petrohawk and Merger Sub of their respective obligations contained in the merger agreement;

absence of any suit, action or proceeding by any court or other governmental entity seeking to restrain, preclude, enjoin or prohibit the merger or any of the other transactions contemplated by the merger agreement; and

the receipt by Mission of an opinion of its counsel, dated as of the date this joint proxy statement/ prospectus is filed and as of the closing date of the merger, to the effect that the merger will be treated as a reorganization under Section 368(a) of the Internal Revenue Code and that each party to the merger agreement will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code.

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***Additional Conditions to Petrohawk's Obligations***

The obligations of Petrohawk and Merger Sub to complete the merger are subject to the satisfaction or waiver of the following conditions:

accuracy of Mission's representations and warranties contained in the merger agreement both at and as of the date of the merger agreement and at and as of the closing date of the merger, as if made at and as of the closing date of the merger (except to the extent expressly made as of an earlier date, in which case as of such date), except where, in the case of all representations and warranties except those regarding Mission's capitalization, corporate power and authority, tax matters, validity of the merger agreement and SEC reports, the failure to be accurate individually or in the aggregate has not had, and would not be reasonably likely to have or result in, a material adverse effect on Mission;

the performance in all material respects by Mission of its obligations contained in the merger agreement;

absence of any suit, action or proceeding by any court or other governmental entity seeking to (1) restrain, preclude, enjoin or prohibit the merger or any of the other transactions contemplated by the merger agreement, or (2) prohibit or limit in any material respect the ownership or operation of any of the parties to the merger agreement or any of their respective affiliates of a substantial portion of the business or assets of Mission and its subsidiaries, taken as a whole, or to require any person to dispose of or hold separate any material portion of the business or assets of Mission and its subsidiaries, taken as a whole, as a result of the merger or any of the other transactions contemplated by the merger agreement;

the receipt by Petrohawk of an opinion of its counsel, dated as of the date this joint proxy statement/ prospectus is filed and as of the closing date of the merger, to the effect that the merger will be treated as a reorganization under Section 368(a) of the Internal Revenue Code and that each party to the merger agreement will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code;

the number of dissenting shares not exceeding 10% of the outstanding shares of Mission's common stock; and

receipt of all material consents and approvals of any person that Mission or any of its subsidiaries are required to obtain in connection with the consummation of the merger, including consents and approvals from parties to loans, contracts, leases or other agreements, except for such consents and approvals the failure of which to be obtained individually or in the aggregate would not be reasonably likely to have or result in a material adverse effect on Mission.

**Representations and Warranties**

The merger agreement contains representations and warranties made by each of the parties regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the merger. Each of Mission on the one hand and Petrohawk and Merger Sub, on the other hand, has made representations and warranties to the other in the merger agreement with respect to the following subject matters:

corporate existence, good standing and qualification to conduct business;

capitalization, including ownership of subsidiary capital stock and the absence of restrictions or encumbrances with respect to capital stock of any subsidiary;

corporate power and authorization to enter into and carry out the obligations of the merger agreement and the enforceability of the merger agreement;

absence of any conflict or violation of organizational documents, third party agreements or law or regulation as a result of entering into and carrying out the obligations of the merger agreement;





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governmental, third party and regulatory approvals or consents required to complete the merger;  
filings and reports with the SEC, and financial information;  
absence of certain changes, events or circumstances;  
absence of undisclosed liabilities;  
accuracy of the information supplied for inclusion in this joint proxy statement/ prospectus;  
employee benefit plans;  
litigation, government orders, judgments and decrees;  
compliance with laws;  
intellectual property;  
material contracts;  
taxes;  
environmental matters;  
real property and operating equipment;  
insurance;  
labor and employment matters;  
transactions with affiliates;  
derivative and hedging transactions;  
disclosure controls and procedures;  
oil and gas reserves, assets and operations;  
investment company status;  
recommendations of merger by boards of directors;  
receipt of fairness opinions;  
required vote;  
fees payable to brokers in connection with the merger;  
tax matters relating to the merger; and

no other representations or warranties.

Petrohawk and Merger Sub also have made representations and warranties to Mission with respect to the interim operations of Merger Sub. Mission also has made representations and warranties to Petrohawk with respect to Mission's existing rights agreement.

The representations and warranties contained in the merger agreement will not survive beyond the effective time of the merger.

**Conduct of Business Pending the Merger**

***Operations of Mission***

Mission has agreed that it will, and will cause its subsidiaries to, during the period from the date of the merger agreement until the effective time of the merger or the date, if any, on which the merger

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agreement is terminated, except as expressly contemplated or permitted by the merger agreement, required by applicable law, or agreed to in writing by Petrohawk:

conduct the business of Mission and its subsidiaries only in the ordinary course consistent with past practice;

use its reasonable best efforts to preserve intact its business organization and goodwill and the business organization and goodwill of its subsidiaries; and

use its reasonable best efforts to keep available the services of its current officers and employees and preserve and maintain existing relations with customers, suppliers, officers, employees and creditors.

Mission has also agreed that it will not, and will not permit any of its subsidiaries to, during the period from the date of the merger agreement until the effective time of the merger or the date, if any, on which the merger agreement is terminated, except as expressly contemplated or permitted by the merger agreement, required by applicable law, or agreed to in writing by Petrohawk:

enter into any new line of business, incur or commit to any capital expenditures, or any obligations or liabilities in connection with any capital expenditures during calendar year 2005 other than capital expenditures and obligations or liabilities incurred or committed to in an amount not greater in the aggregate than, and during the same time period set forth in, Mission's current capital budget approved by the board of directors of Mission in December 2004, plus \$6 million from Mission's 2004 capital budget that was not spent; provided that Mission shall provide Petrohawk with advance notice of any and all expenditures made by Mission in excess of \$1 million in sufficient time to allow Petrohawk to provide input on such expenditures;

amend its certificate of incorporation or bylaws or similar organizational documents;

declare, set aside or pay any dividend or other distribution, whether payable in cash, stock or any other property or right, with respect to its capital stock, except that Mission may permit any direct or indirect wholly-owned subsidiary to do any of the foregoing;

adjust, split, combine or reclassify any capital stock or issue, grant, sell, transfer, pledge, dispose of or encumber any additional shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class or of any other such securities or agreements of Mission or any of its subsidiaries, other than issuances by Mission (1) of options to new employees of Mission in the ordinary course of Mission's business consistent with past practices, (2) pursuant to Mission options (outstanding as of April 3, 2005, or issued thereafter in accordance with the merger agreement);

except as required pursuant to the terms of the Mission benefit plans in effect on the date of the merger agreement, redeem, purchase or otherwise acquire directly or indirectly any of its capital stock or any other securities or agreements of the type described in the preceding paragraph;

except as required pursuant to the terms of the Mission benefit plans in effect on the date of the merger agreement, grant any increase in the compensation or benefits payable or to become payable by Mission or any of its subsidiaries to any former or current director, officer or employee of Mission or any of its subsidiaries;

except as required pursuant to the terms of the Mission benefit plans in effect on the date of the merger agreement, adopt, enter into, amend or otherwise increase, or accelerate the payment or vesting of the amounts, benefits or rights payable or accrued or to become payable or accrued under, any Mission benefit plan (other than entry into employment agreements with new hires in the ordinary course of business consistent with past practice; provided that such employment agreement shall be terminable at will, without penalty (other than severance

obligations that accrue under Mission's amended and restated change in control plan as in effect on the date of the merger agreement) to Mission or any of its subsidiaries);

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grant any severance or termination pay to any officer, director or employee of Mission or any of its subsidiaries (other than severance pay to non-contract employees related to termination of such employee's employment in the ordinary course of Mission's business consistent with its past practices);

designate any more prospects under the Mission bonus and deferred compensation plan;

change its methods of accounting in effect as of the date of the merger agreement, except in accordance with changes in U.S. generally accepted accounting principles ( GAAP ) as concurred to by Mission's independent auditors;

acquire any business organization, division or business by merger, consolidation, purchase of an equity interest or assets, or by any other manner, or acquire any assets (other than in the ordinary course of business consistent with past practice or pursuant to agreements in effect on the date of the merger agreement);

sell, lease, exchange, transfer or otherwise dispose of, or agree to sell, lease, exchange, transfer or otherwise dispose of, any material assets (other than the sale of inventory and hydrocarbons in the ordinary course of business consistent with past practice or the sale of any assets pursuant to agreements in effect on the date of the merger agreement);

mortgage, pledge, hypothecate, grant any security interest in, or otherwise subject any of its assets to any liens, subject to limited exceptions;

pay, discharge or satisfy any claims (including claims of stockholders), liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise) where such payment, discharge or satisfaction would require any payment except for the payment, discharge or satisfaction of liabilities or obligations in accordance with the terms of agreements in effect on the date of the merger agreement or entered into after the date of the merger agreement in the ordinary course of business consistent with past practice, and except for any payments, discharges or settlements that do not exceed \$250,000 individually or \$1 million in the aggregate;

compromise, settle or grant any waiver or release relating to any litigation, other than settlements or compromises of litigation where the amount paid or to be paid does not exceed \$250,000 individually or \$1 million in the aggregate;

engage in any transaction with (except pursuant to agreements in effect at the time of the merger agreement), or enter into any agreement, arrangement, or understanding with, directly or indirectly, any of Mission's affiliates (not including any employees of Mission or any of its subsidiaries, other than the directors and executive officers thereof);

make or change any material tax election, change any method of tax accounting, grant an extension of time to assess any tax or settle any tax claim, amend any tax return in any material respect or settle or compromise any material tax liability;

take any action that would, or could reasonably be expected to, result in any of its representations and warranties set forth in the merger agreement becoming untrue in a manner that would give rise to the failure of the closing condition relating to the satisfaction of the representations and warranties of Mission (see Conditions to the Completion of the Merger );

adopt or enter into a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of Mission or any of its subsidiaries (other than the merger or with respect

to an inactive wholly-owned subsidiary of Mission) or any agreement relating to an acquisition proposal;

incur or assume any long-term debt or incur or assume any short-term indebtedness (except for short-term indebtedness in the ordinary course of business consistent with past practice and in no event exceeding \$10 million in the aggregate);

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modify the terms of any indebtedness to increase Mission's obligations with respect to such indebtedness;

assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person, except in the ordinary course of business consistent with past practice and in no event exceeding \$250,000 in the aggregate;

make any loans, advances or capital contributions to, or investments in, any other person (other than to wholly-owned subsidiaries of Mission, or by wholly-owned subsidiaries to Mission, or customary loans or advances to employees in accordance with past practice and in no event exceeding \$250,000 in the aggregate);

enter into any material commitment or transaction, except in the ordinary course of business consistent with past practice;

enter into any agreement, understanding or commitment that materially restrains, limits or impedes Mission's or any of its subsidiaries' ability to compete with or conduct any business or line of business, including geographic limitations on Mission's or any of its subsidiaries' activities (other than confidentiality agreements and area of mutual interest agreements in the ordinary course of business consistent with past practice);

modify or amend in any material respect, or terminate, any material contract to which it is a party or waive in any material respect or assign any of its material rights or claims, except in the ordinary course of business consistent with past practice;

fail to maintain in full force and effect the existing insurance policies covering Mission or its subsidiaries or their respective properties, assets and businesses or comparable replacement policies, except to the extent such policies cease to be available on commercially reasonable terms; or

enter into an agreement, contract, commitment or arrangement to take any of the prohibited actions described above.

In addition, Mission has agreed that it shall not, nor shall it permit any of its subsidiaries to, enter into any transaction or take any other action that would be reasonably likely to have a material adverse impact on, or materially delay, the consummation of the transactions contemplated by the merger agreement.

***Operations of Petrohawk***

Petrohawk has agreed that it will, and will cause its subsidiaries to, conduct the business of Petrohawk and its subsidiaries only in the ordinary course consistent with past practice during the period from the date of the merger agreement until the effective time of the merger or the date, if any, on which the merger agreement is terminated, except as contemplated or permitted by the merger agreement, required by applicable law, or agreed to in writing by Mission.

Petrohawk has also agreed that it will not, and will not permit any of its subsidiaries to, during the period from the date of the merger agreement until the effective time of the merger or the date, if any, on which the merger agreement is terminated, except as expressly contemplated or permitted by the merger agreement, required by applicable law, or agreed to in writing by Mission:

enter into any new line of business, except as may reasonably relate to Petrohawk's existing business;

incur or commit to any capital expenditures, or any obligations or liabilities in connection with any capital expenditures during the calendar year 2005 in excess of \$5 million over Petrohawk's 2005 capital budget;



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solely in the case of Petrohawk and any non-wholly owned subsidiary of Petrohawk, declare, set aside, or pay any dividend or other distribution on its capital stock (other than on Petrohawk's 8% Cumulative Convertible preferred stock);

adjust, split, combine or reclassify any capital stock or issue, grant, sell, transfer, pledge, dispose of or encumber any additional shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class or of any other such securities or agreements of Petrohawk, other than issuances by Petrohawk (1) of options to new employees of Petrohawk in the ordinary course of Petrohawk's business consistent with past practices, (2) pursuant to Petrohawk options, warrants, and convertible notes (outstanding as of April 3, 2005, or issued thereafter in accordance with the merger agreement), or except as required under any current plans in effect as of April 3, 2005, redeem purchase or otherwise acquire any Petrohawk capital stock or any other Petrohawk securities;

change its methods of accounting in effect as of the date of the merger agreement, except in accordance with changes in GAAP;

acquire any person or business organization or any assets but only to the extent any such acquisition or the total of such acquisitions exceed \$40 million from the date of the merger agreement until December 31, 2005;

other than the sale or consumption of inventory and hydrocarbons in the ordinary course of business, sell, lease, transfer, or dispose of any assets but only to the extent such sales, leases, or transfers do not exceed \$40 million in the aggregate from the date of the merger agreement until December 31, 2005;

take any action that would, or could reasonably be expected to, result in any of its representations and warranties set forth in the merger agreement becoming untrue in a manner that would give rise to the failure of the closing condition relating to the satisfaction of the representations and warranties of Petrohawk (see Conditions to the Completion of the Merger );

solely in the case of Petrohawk, amend its certificate of incorporation or bylaws or similar organizational documents in a manner that adversely affects the terms of Petrohawk common stock, other than to increase the number of authorized shares of Petrohawk common stock;

solely in the case of Petrohawk, adopt or enter into a plan of complete or partial liquidation or dissolution; or

enter into an agreement, contract, commitment or arrangement to do any of the foregoing.

In addition, Petrohawk has agreed that it will not, nor will it permit any of its subsidiaries to, enter into any transaction or take any other action (including any amendment of Petrohawk's certificate of incorporation) that would be reasonably likely to have a material adverse impact on, or materially delay, the consummation of the transactions contemplated by the merger agreement.

**Reasonable Best Efforts to Obtain Required Stockholder Vote**

Each of Mission and Petrohawk will promptly and duly call, give notice of, convene and hold a meeting of its stockholders to be held as soon as is reasonably practicable after the date on which the registration statement of which this document is part becomes effective. In the case of Mission stockholders, the purpose of voting will be to adopt the merger agreement and approve the merger and the other transactions contemplated by the merger agreement. In the case of Petrohawk stockholders, the purpose of voting will be to approve of the issuance of shares of common stock under the merger. Each of Mission and Petrohawk will, through its board of directors, use its reasonable best efforts to obtain the approval of its respective stockholders in respect of the foregoing. Notwithstanding any adverse recommendation, change or similar circumstance, nothing in the merger agreement is intended to relieve



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the parties of their respective obligations to hold a meeting of their stockholders for the approval required to complete the merger.

**No Solicitation of Alternative Transactions**

The merger agreement provides, subject to limited exceptions described below, that Mission will not, and will cause its subsidiaries and representatives not to:

directly or indirectly initiate, solicit, knowingly encourage or facilitate (including by way of furnishing information), or take any other action designed to facilitate or encourage any inquiries or the making of any proposal that constitutes, or is reasonably likely to lead to, any acquisition proposal (as defined below);

participate or engage in any discussions or negotiations with, disclose any non-public information relating to itself or any of its subsidiaries, or afford access to its properties, books or records to any person that has made or is contemplating making an acquisition proposal; or

accept or enter into any agreement that (1) constitutes, relates to, or could reasonably be expected to lead to any acquisition proposal or (2) requires, intends to cause or could reasonably be expected to cause either Mission or Petrohawk to respectively abandon, terminate or fail to consummate the merger.

The merger agreement permits Mission to take and disclose to its stockholders a position with respect to an acquisition proposal from a third party to the extent required under applicable federal securities laws. If Mission receives a bona fide unsolicited written acquisition proposal at any time prior to obtaining the required Mission stockholder vote adopting the merger agreement and approving the merger and the other transactions contemplated by the merger agreement, then Mission and its board of directors may participate and engage in negotiations with, furnish non-public information to, and afford access to its properties, books or records to, the third party making the acquisition proposal if:

the acquisition proposal was not solicited, initiated, knowingly encouraged or facilitated by Mission, its subsidiaries, or any of its officers or directors, investment bankers, attorneys, accountants, financial advisors, agents or other representatives;

the proposal constitutes, or the board of directors of Mission determines in good faith, after consultation with its financial advisors and outside legal counsel, that such acquisition proposal could reasonably be expected to lead to a superior proposal (as defined below); and

the person making the acquisition proposal has entered into a confidentiality agreement on specified terms with Mission.

***Mission's Ability to Make an Adverse Recommendation Change in Response to a Superior Proposal***

At any time prior to obtaining the required Mission stockholder vote adopting the merger agreement and approving the merger and the other transactions contemplated by the merger agreement, and subject to Mission's compliance at all times with the non-solicitation provisions described above, and to its ability to terminate the agreement in certain circumstances, (discussed below), the board of directors of Mission may make an adverse recommendation change (as defined below) in response to a superior proposal if:

four business days before making such change, Mission provides written notice to Petrohawk (a notice of superior proposal) that:

advises Petrohawk that the board of directors of Mission or any of its committees has received a superior proposal;

specifies the material terms and conditions of the superior proposal;

identifies the person or group making such superior proposal; and



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in the event that Petrohawk proposes any alternative transaction during such four business day period, the board of directors of Mission determines in good faith, after consultation with its financial advisors and outside legal counsel, that such alternative transaction is not at least as favorable to Mission and its stockholders from a financial point of view as the superior proposal, taking into account all financial, legal and regulatory terms and conditions of the alternative transaction proposed by Petrohawk.

Mission has also agreed to:

advise Petrohawk in writing of any request for information or any acquisition proposal received from any person, or any inquiry, discussions or negotiations with respect to any acquisition proposal, the terms and conditions of any request, acquisition proposal, inquiry, discussions or negotiations, and the identity of the person or group making any request or acquisition proposal or with whom any discussions or negotiations are taking place;

provide Petrohawk any non-public information concerning Mission provided to any other person or group in connection with any acquisition proposal that was not previously provided to Petrohawk and copies of any written materials received from that person or group;

keep Petrohawk fully informed of the status of any acquisition proposals (including any changes to any material terms and conditions); and

not release any third party from, or waive any provisions of, any confidentiality or standstill agreement to which Mission is a party.

*Acquisition Proposal.* For purposes of the merger agreement, the term *acquisition proposal* means any bona fide proposal for the:

direct or indirect acquisition or purchase of a business or assets that constitutes 10% or more of the net revenues, net income or the assets (based on fair market value) of Mission and its subsidiaries, taken as a whole;

direct or indirect acquisition or purchase of 10% or more of any class of equity securities or capital stock of Mission or any of its subsidiaries whose business constitutes 10% or more of the net revenues, net income or assets of Mission and its subsidiaries, taken as a whole; or

merger, consolidation, restructuring, transfer of assets or other business combination, sale of shares of capital stock, tender offer, exchange offer, recapitalization, stock repurchase program or other similar transaction that if consummated would result in any person beneficially owning 10% or more of any class of equity securities of Mission or any of its subsidiaries whose business constitutes 10% or more of the net revenues, net income or assets of Mission and its subsidiaries, taken as a whole, other than the transactions contemplated by the merger agreement.

*Superior Proposal.* For purposes of the merger agreement, the term *superior proposal* means any bona fide written acquisition proposal, made by a third party to purchase, directly or indirectly, 50% or more of the assets of Mission and its subsidiaries, taken as a whole, or 50% or more of the outstanding equity securities of Mission pursuant to a tender offer, exchange offer or merger on terms that a majority of the board of directors of Mission determines in good faith to be superior to Mission and its stockholders (in their capacity as stockholders) from a financial point of view as compared to the transactions contemplated by the merger agreement and to any alternative transaction or changes to the terms of the merger agreement proposed by Petrohawk (after the board of directors of Mission consults with its financial advisors and takes into account all financial, legal and regulatory terms and conditions of the acquisition proposal and the merger agreement, including any changes to the terms of the merger agreement offered by Petrohawk in response to the superior proposal, including any conditions to and expected timing of consummation, and any risks of non-consummation, of the acquisition proposal).

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*Adverse Recommendation Change.* For purposes of the merger agreement, the term *adverse recommendation change* means a direct or indirect action or public proposal made by Mission's board of directors or a committee of its board of directors, in response to a superior proposal, to:

withdraw (or amend or modify in a manner adverse to Petrohawk) its approval, recommendation or declaration of advisability of the merger agreement, the merger or the other transactions contemplated by the merger agreement; or

recommend, adopt or approve any acquisition proposal.

**Termination of the Merger Agreement**

***General***

The merger agreement may be terminated by written notice at any time prior to the effective time of the merger in any of the following ways:

by mutual written consent of Petrohawk and Mission;

by either Petrohawk or Mission:

if the merger is not completed on or before December 31, 2005, unless the failure of the closing to occur by this date is due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligation under the merger agreement or a material breach of the merger agreement by such party;

if any court or other governmental entity shall have issued a statute, rule, order, decree or regulation or taken any other action (which Petrohawk and Mission will use their reasonable best efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the consummation of the merger or making the merger illegal and such statute, rule, order, decree, regulation or other action has become final and nonappealable, provided that the terminating party is not in breach of its obligation to use reasonable best efforts to complete the merger;

if the Mission stockholders fail to adopt the merger agreement by the requisite vote, provided that this right to terminate is not available to Mission if it has breached any of its obligations relating to non-solicitation of offers described above under *No Solicitation of Alternative Transactions* or breached any of its obligations relating to completing this joint proxy statement/ prospectus and convening a stockholders meeting described above under *Reasonable Best Efforts to Obtain Required Stockholder Vote* ;

if there has been a material breach of or any inaccuracy in any of the representations or warranties set forth in the merger agreement on the part of any of the other parties, which breach has not been cured within 30 days following receipt by the breaching party of written notice of such breach from the terminating party, or which breach, by its nature, cannot be cured prior to December 31, 2005 (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement); provided, however, that no party will have the right to terminate the merger agreement for the foregoing purposes unless the breach of representation or warranty, together with all other such breaches, would entitle the party receiving such representation not to consummate the transactions contemplated by the merger agreement;

if there has been a material breach of any of the covenants or agreements set forth in the merger agreement on the part of any of the other parties, which breach has not been cured within 30 days following receipt by the breaching party of written notice of such breach from the terminating party, or which breach, by its nature, cannot be cured prior to December 31, 2005 (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement); or



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if the Petrohawk stockholders fail to approve the issuance of Petrohawk shares pursuant to the merger; provided that this right to terminate is not available to Petrohawk if it has breached any of its obligations relating to non-solicitation of offers described above under No Solicitation of Alternative Transactions or breached any of its obligations relating to completing this joint proxy statement/ prospectus and convening a stockholders meeting described above under Reasonable Best Efforts to Obtain Required Stockholder Vote ;

if, prior to obtaining the required vote of the Mission stockholders adopting the merger agreement and approving the merger and the other transactions contemplated by the merger agreement (i) Mission or its board of directors has entered into an agreement with respect to an acquisition proposal (other than a permissible confidentiality agreement) or approved or recommended, or, in the case of a committee, proposed to the Mission board of directors to approve or recommend, an acquisition proposal (as defined above under No Solicitation of Alternative Transactions ), (ii) Mission or its board of directors or any committee thereof has resolved to do any of the foregoing, or (iii) an adverse recommendation change shall have occurred in response to a superior proposal or Mission's board of directors, or any committee thereof, has resolved to make an adverse recommendation change.

***Termination Fees***

Except for the termination fee set forth in the merger agreement and as described below, all costs and expenses incurred in connection with the merger agreement and the transactions contemplated thereby shall be paid by the party incurring such costs or expenses.

Mission must pay Petrohawk a termination fee of \$12.5 million if:

the merger agreement is terminated by Petrohawk or Mission due to an adverse recommendation change by Mission in response to a superior proposal; or

the merger agreement is terminated by Petrohawk or Mission because Mission or its board of directors has entered into an agreement with respect to an acquisition proposal (other than a permissible confidentiality agreement) or, approved or recommended, or, in the case of a committee, proposed to the Mission board of directors to approve or recommend, an acquisition proposal, or Mission or its board of directors or any committees thereof has resolved to do any of the foregoing;

an acquisition proposal with respect to Mission has been proposed by any person (other than by Petrohawk, Merger Sub or any of their respective affiliates) or any person has publicly announced its intention (whether or not conditional) to make such acquisition proposal and such acquisition proposal or such intention has otherwise become publicly known to Mission's stockholders generally; and

thereafter the merger agreement is terminated by either Petrohawk or Mission for failure to close the merger on or before December 31, 2005 or because the Mission stockholders failed to adopt the merger agreement by the required vote, and

within 12 months after termination of the merger agreement, Mission or any of its subsidiaries enters into any definitive agreement providing for an acquisition proposal (as described above under No Solicitation of Alternative Transactions , except that all references to 10% therein are deemed to be references to 40% for the purposes of the provision described in this paragraph), or an acquisition proposal with respect to Mission or any of its subsidiaries is consummated.

***Effect of Termination***

In the event of the termination of the merger agreement as described above, written notice must be given by the terminating party to the other parties specifying the provision of the merger agreement



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pursuant to which such termination is made, and except as described in this paragraph, the merger agreement shall become null and void after the expiration of any applicable period following such notice. In the event of the termination of the merger agreement, there will be no liability on the part of Petrohawk, Merger Sub or Mission, except as described above under Termination Fees and Expenses above and except with respect to the requirement to comply with the confidentiality agreement; provided that no party will be relieved from any liability or obligation with respect to any willful breach of the merger agreement.

**Material U.S. Federal Income Tax Consequences**

The following is a summary of the material U.S. federal income tax consequences of the merger to Mission stockholders who are U.S. persons or non-U.S. persons (as defined below). This summary is based on provisions of the Internal Revenue Code, Treasury Regulations promulgated thereunder, and administrative and judicial interpretations of the Internal Revenue Code, all as in effect as of the date of this joint proxy statement/ prospectus, and all of which are subject to change, possibly with retroactive effect. This summary does not address all aspects of U.S. federal income taxation that may be applicable to Mission stockholders in light of their particular circumstances or to Mission stockholders subject to special treatment under U.S. federal income tax law, such as:

entities treated as partnerships for U.S. federal income tax purposes or Mission stockholders that hold their shares through entities treated as partnerships for U.S. federal income tax purposes;

certain former citizens or long-term residents of the U.S.;

persons who hold Mission common stock as part of a straddle, hedging transaction, synthetic security, conversion transaction or other integrated investment or risk reduction transaction;

U.S. persons, as defined below, whose functional currency is not the U.S. dollar;

persons who acquired Mission common stock through the exercise of employee stock options or otherwise as compensation;

persons subject to the U.S. alternative minimum tax;

mutual funds;

banks, insurance companies, and other financial institutions;

regulated investment companies;

tax-exempt organizations;

dealers in securities or foreign currencies; and

traders in securities that mark-to-market.

This summary is also limited to persons who hold Mission common stock as a capital asset. The following summary does not address the tax consequences of the merger under state, local and foreign laws and U.S. federal laws other than U.S. federal income tax laws. Mission stockholders are urged to consult their tax advisors as to the specific tax consequences to them of the merger, including the applicability and effect of U.S. federal, state, local and foreign income and other tax laws to their particular circumstances.

For purposes of this discussion, a U.S. person means a beneficial owner of shares of Mission common stock that is (1) a citizen or individual resident of the U.S., including an alien individual who meets one of the resident-alien tests under Section 7701(b) of the Internal Revenue Code, (2) a corporation or other entity taxable as a corporation created

or organized under the laws of the U.S. or any of its political subdivisions, (3) a trust if (A) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) the trust has made a valid election under the applicable Treasury Regulations

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to be treated as a U.S. person, or (4) an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

For purposes of this discussion, a non-U.S. person means a beneficial owner of shares of Mission common stock that is not a U.S. person.

***Tax Opinions***

The obligation of Mission to consummate the merger is conditioned on its receipt of an opinion from Porter & Hedges, L.L.P., dated as of the closing date of the merger, to the effect that, on the basis of the facts, assumptions, representations, and covenants set forth or referred to therein, for U.S. federal income tax purposes, (1) the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and (2) Petrohawk, Merger Sub, and Mission will each be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code. In addition, the obligation of Petrohawk to consummate the merger is conditioned on its receipt of an opinion from Thompson & Knight LLP, dated as of the closing date of the merger, to the effect that, on the basis of the facts, assumptions, representations, and covenants set forth or referred to therein, for U.S. federal income tax purposes, (1) the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and (2) Petrohawk, Merger Sub, and Mission will each be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code.

In connection with the filing of the registration statement of which this document forms a part, Porter & Hedges and Thompson & Knight have delivered to Mission and Petrohawk, respectively, the opinions set forth above. An opinion of counsel represents counsel's best legal judgment and is not binding on the Internal Revenue Service or any court. No ruling has been, or will be, sought from the Internal Revenue Service as to the tax consequences of the merger. Accordingly, there can be no certainty that the Internal Revenue Service will not challenge the conclusions set forth in any of the opinions stated or referred to herein or that a court would not sustain such a challenge.

The opinions of Porter & Hedges and Thompson & Knight and the opinions set forth below have been rendered on the basis of certain assumptions, representations, and covenants, including those contained in officers' certificates of Mission and Petrohawk, all of which must be true and accurate in all respects as of the effective date of the registration statement and must continue to be true and accurate in all respects as of the effective time of the merger. If any of those assumptions or representations are inaccurate, incomplete, or untrue or any of the covenants are breached, the conclusions contained in the opinions referred to in this paragraph or stated below could be affected.

The opinions delivered by Porter & Hedges and Thompson & Knight and as set forth below assume that the value of the Petrohawk stock issued in the merger will equal at least 40% of the value of the combined merger consideration. It is not possible to state with certainty whether this assumption will be correct at the effective time of the merger because various factors affect this determination, including the market value of Petrohawk common stock at the effective time of the merger, and the amount, if any, to be paid to Mission stockholders who perfect their appraisal rights. If the assumption regarding the relative value of the Petrohawk stock to be issued in the merger is untrue at the effective time of the merger, we will either terminate the merger or resolicit stockholder approval for the merger because the tax opinions delivered at closing will differ materially from the opinions described herein. We will also resolicit stockholder approval for the merger if Petrohawk and Mission waive the condition that they receive such opinions.

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***U.S. Federal Income Tax Consequences to U.S. Persons***

Subject to the limitations and qualifications set forth herein, the following discussion constitutes the opinion of Porter & Hedges and of Thompson & Knight as to the material U.S. federal income tax consequences of the merger to a Mission stockholder that is a U.S. person:

If a Mission stockholder exchanges all of his or her shares of Mission common stock solely for shares of Petrohawk common stock in the merger, that Mission stockholder will not recognize (i.e., take into account for income tax purposes) gain or loss, except for any gain or loss recognized with respect to cash received instead of a fractional share of Petrohawk common stock. See *Cash Received Instead of a Fractional Share* below.

If a Mission stockholder exchanges his or her shares of Mission common stock solely for cash in the merger, that Mission stockholder generally will recognize capital gain or loss equal to the difference between the amount of cash received and his or her tax basis in the Mission common stock. If, however, the Mission stockholder owns shares of Petrohawk common stock actually or constructively after the merger, the stockholder might be subject to dividend treatment. See *Possible Treatment of Cash as a Dividend* immediately below.

If a Mission stockholder exchanges his or her shares of Mission common stock for a combination of Petrohawk common stock and cash, that Mission stockholder generally will recognize gain (but not loss). Any such gain recognized will equal the lesser of: (1) the amount of cash received by the stockholder in the merger and (2) the excess, if any, of (a) the sum of the amount of cash and the fair market value of the Petrohawk common stock received by the stockholder in the merger over (b) that stockholder's adjusted tax basis in the Mission common stock exchanged by the stockholder in the merger. For this purpose, a Mission stockholder must calculate gain separately for each identifiable block of Mission common stock exchanged by the stockholder in the merger. Cash received instead of fractional shares of Petrohawk stock is excluded from the calculations discussed in (1) and (2) above, and instead is treated as discussed below under *Cash Received Instead of a Fractional Share*. Except as discussed under *Possible Treatment of Cash as a Dividend*, any gain recognized by a Mission stockholder in the merger generally will constitute capital gain.

The aggregate tax basis of the shares of Petrohawk common stock received by a Mission stockholder in exchange for Mission common stock pursuant to the merger will be the same as the aggregate tax basis of the stockholder's Mission common stock surrendered in the merger, decreased by the amount of cash received by the stockholder in the merger and increased by the amount of gain or dividend income recognized by the stockholder in the merger.

The holding period of the shares of Petrohawk common stock received by a Mission stockholder in the merger generally will include the holding period of the stockholder's Mission common stock exchanged for Petrohawk common stock.

If a Mission stockholder has differing bases or holding periods in respect of his or her shares of Mission common stock, such stockholder should consult his or her tax advisor prior to the exchange to identify the bases or holding periods of the particular shares of Petrohawk common stock received in the merger.

*Possible Treatment of Cash as a Dividend*

There are certain circumstances, generally involving a Mission stockholder who is also a substantial holder of Petrohawk common stock, in which all or part of the gain recognized by such stockholder would be treated as a dividend rather than as capital gain. Each Mission stockholder should consult his or her tax advisor about the possibility that all or a portion of any cash received in exchange for Mission common stock will be treated as a dividend, based on the stockholder's specific circumstances.

**Table of Contents***Cash Received Instead of a Fractional Share*

Petrohawk will not issue any fractional shares of Petrohawk common stock in the merger. Rather, each holder of Mission common stock exchanged in the merger who otherwise would have received a fraction of a share of Petrohawk common stock will receive cash. A Mission stockholder who receives cash instead of a fractional share of Petrohawk common stock generally will recognize capital gain or loss based on the difference between the amount of cash received and the tax basis that the stockholder would have had in such fractional share.

*Capital Gain and Dividend Income of Individuals*

Capital gain recognized by an individual holder of Mission common stock in connection with the merger generally will be subject to a maximum U.S. federal income tax rate of 15% if the individual's holding period for the Mission common stock is more than one year at the effective time of the merger. Capital gain on stock held for one year or less may be taxed at regular rates of up to 35%. The deductibility of capital losses is subject to limitations. Any dividend income recognized in the merger by individual Mission stockholders generally will be subject to tax at a maximum rate of 15%.

*Reporting Requirements*

Mission stockholders receiving Petrohawk common stock in the merger must file a statement with their U.S. federal income tax returns setting forth their tax basis in the Mission common stock exchanged in the merger and the fair market value of the Petrohawk common stock and the amount of any cash received in the merger. In addition, Mission stockholders will be required to retain permanent records of these facts relating to the merger.

***U.S. Federal Income Tax Consequences to Non-U.S. Persons****General*

This discussion does not address the U.S. federal income tax consequences to stockholders that are subject to special rules such as: (1) a stockholder that is a non-U.S. person and that holds its Mission common stock in connection with a trade or business conducted in the U.S. or in connection with an office or fixed place of business located in the U.S.; (2) a stockholder that is a nonresident alien individual and that either is present in the U.S. for 183 days or more in the taxable year or is subject to provisions of the Internal Revenue Code applicable to expatriates; or (3) a stockholder that is affected by the provisions of an income tax treaty to which the U.S. is a party.

If you are a non-U.S. person and you may be subject to special tax rules because you conduct business in the U.S., you have been present in the U.S. for 183 days or more in the taxable year, you are an expatriate of the U.S., or you are affected by the provisions of an income tax treaty to which the U.S. is a party, you are urged to consult your tax advisor to determine the tax consequences of the merger to you.

*Non-U.S. Persons That Have Not Held More Than 5% of Mission's Common Stock in the Prior Five Years*

Gain or loss realized by a non-U.S. person that exchanges Mission common stock in the merger will not be subject to U.S. federal income tax if that stockholder has not held (either directly or indirectly, after the application of the constructive ownership rules of Section 318 of the Internal Revenue Code as modified by Section 897(c)(6)(C) of the Internal Revenue Code) more than 5% of the outstanding shares of Mission common stock at any time during the shorter of (1) the five-year period ending on the effective date of the merger or (2) the period during which such stockholder held such Mission common stock, the shorter of such periods referred to as the Testing Period. For purposes of determining whether a non-U.S. person owns or has owned more than 5% of the outstanding shares of Mission, the constructive ownership rules of Section 318 of the Internal Revenue Code (as modified by Section 897(c)(6)(C) of

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the Internal Revenue Code) treat a foreign stockholder as owning shares that are (1) owned by (or that are subject to an option held by) certain family members, corporations, partnerships, estates or trusts or (2) subject to an option held by that foreign stockholder.

The material U.S. federal income tax consequences of the merger to a non-U.S. person that has not held more than 5% of the outstanding shares of Mission's common stock during the Testing Period are as follows:

If a non-U.S. person exchanges all of his or her shares of Mission common stock solely for shares of Petrohawk common stock in the merger, that stockholder will not recognize any gain or loss.

If a non-U.S. person exchanges his or her shares of Mission common stock solely for cash or for a combination of cash (including cash instead of a fractional share of Petrohawk common stock) and Petrohawk common stock in the merger, any gain realized by that non-U.S. person will not be subject to U.S. federal income tax.

A non-U.S. person will have an aggregate tax basis in the Petrohawk common stock received in the merger equal to the aggregate tax basis of the stockholder's Mission common stock surrendered decreased by the amount of cash received by the stockholder in the merger.

A non-U.S. person's holding period for shares of Petrohawk common stock received in exchange for shares of Mission common stock in the merger will include the holding period of the stockholder's Mission common stock exchanged for Petrohawk common stock.

If you are a non-U.S. person and you have differing bases or holding periods in your shares of Mission common stock to be exchanged in the merger, you should consult your tax advisor prior to the exchange to identify the bases or holding periods of the particular shares of Petrohawk common stock that you will receive in the merger.

*Non-U.S. Persons That Currently Hold or Have Held More Than 5% of Mission's Common Stock*

If a non-U.S. person has owned (either directly or indirectly) more than 5% of the outstanding shares of Mission common stock, but such ownership was not held at any time during the Testing Period, then that non-U.S. person generally will not be subject to U.S. federal income tax in connection with the merger. Under these circumstances, the U.S. federal income tax consequences to such a stockholder should be the same as those previously described with respect to a non-U.S. person that has never held more than 5% of the outstanding shares of Mission common stock.

Generally, if a non-U.S. person owns or has owned (either directly or indirectly) more than 5% of the outstanding shares of Mission common stock at any time during the Testing Period (referred to here as a Significant Non-U.S. Person), then gain or loss realized by such person upon the exchange of Mission common stock in the merger will be subject to U.S. federal income tax. There is an exception from tax if a Significant Non-U.S. Person exchanges its Mission common stock for stock in a U.S. real property holding corporation (a USRPHC) in a reorganization under section 368(a) of the Internal Revenue Code (such as the merger) and the stock received in the exchange would be subject to U.S. federal income tax if it was sold immediately after the exchange. Petrohawk believes that it is a USRPHC and expects to be a USRPHC after the effective time of the merger.

Assuming that Petrohawk's common stock continues to be traded on the NASDAQ National Market immediately after the merger, Petrohawk stock received in the merger by a Significant Non-U.S. Person would qualify for the exception from tax only if that Significant Non-U.S. Person owns more than 5% of the outstanding shares of Petrohawk common stock immediately after the merger. The U.S. federal income tax consequences to a Significant Non-U.S. Person who owns more than 5% of the outstanding shares of Petrohawk common stock immediately after the merger should generally be the same as previously described with respect to a U.S. person.

If a Significant Non-U.S. Person exchanges all of his or her shares of Mission common stock solely for cash, solely for Petrohawk common stock constituting 5% or less of the outstanding shares of

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Petrohawk common stock, or for a combination of cash and Petrohawk common stock constituting 5% or less of the outstanding shares of Petrohawk common stock immediately after the merger:

such stockholder will recognize gain or loss measured by the difference between (1) the sum of the amount of any cash received (including cash instead of a fractional share of Petrohawk common stock) and the fair market value of the Petrohawk common stock received in the merger over (2) that Significant Non-U.S. Person's tax basis in its Mission common stock surrendered in the merger. Except as discussed under U.S. Federal Income Tax Consequences to U.S. Persons Possible Treatment of Cash as a Dividend, any gain or loss recognized by a Significant Non-U.S. Person in the merger generally will constitute capital gain or loss effectively connected with the conduct of a U.S. trade or business.

the aggregate tax basis of the Petrohawk common stock received in the merger will equal the fair market value of that Petrohawk common stock as of the effective time of the merger;

such stockholder's holding period for the Petrohawk common stock received in the merger will begin the day after the effective time of the merger; and

if you are a Significant Non-U.S. Person and you have differing bases or holding periods in your shares of Mission common stock to be exchanged in the merger, you should consult your own tax advisor prior to the exchange to identify the bases or holding periods of the particular shares of Petrohawk common stock that you will receive in the merger.

A Significant Non-U.S. Person subject to U.S. federal income tax also may be required to:

file a U.S. federal income tax return reporting the gain or loss subject to tax as income effectively connected with the conduct of a trade or business within the U.S. and taxable as either ordinary income or capital gain; and

pay any tax due upon the filing of the return or, depending upon the circumstances, earlier through estimated payments.

***FIRPTA Withholding***

Under Section 1445 of the Internal Revenue Code, a person acquiring stock in a USRPHC from a foreign person generally is required to deduct and withhold a tax equal to 10% of the amount realized by that foreign person on the sale or exchange of that stock, referred to here as FIRPTA Withholding. However, Section 1445(b)(6) of the Internal Revenue Code exempts from FIRPTA Withholding stock that is regularly traded on an established securities market.

Mission believes that it has continuously been a USRPHC and that it will be a USRPHC as of the effective time of the merger. Mission also believes that Mission common stock will continue to be regularly traded on the NASDAQ National Market at all times leading up to and as of the effective time of the merger, such that Mission common stock should be considered to be regularly traded on an established securities market for purposes of Section 897(c)(3) of the Internal Revenue Code. Assuming that this expectation proves to be correct, neither Petrohawk (nor the exchange agent) will be required to deduct and withhold amounts on account of FIRPTA Withholding with respect to a non-U.S. person's exchange of Mission common stock in the merger.

***U.S. Federal Income Tax Consequences to Stockholders That Exercise Appraisal Rights***

A U.S. person who receives cash pursuant to the exercise of appraisal rights generally will recognize capital gain or loss measured by the difference between the cash received and its adjusted tax basis in its Mission common stock.

If a non-U.S. person that is not a Significant Non-U.S. Person receives cash pursuant to the exercise of appraisal rights, any gain realized by such person generally will not be subject to U.S. federal income tax.

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If a Significant Non-U.S. Person receives cash pursuant to the exercise of appraisal rights, that Significant Non-U.S. Person generally will be subject to U.S. federal income tax on capital gain or loss measured by the difference between the amount of cash received and his or her tax basis in its Mission common stock.

***Backup Withholding***

Certain U.S. and non-U.S. holders of Mission common stock may be subject to backup withholding (currently at a rate of 28%) on amounts received pursuant to the merger. Backup withholding will not apply, however, to a Mission stockholder who (1) provides a correct taxpayer identification number or (2) comes within certain exempt categories and, in each case, complies with applicable certification requirements. In addition to being subject to backup withholding, if a Mission stockholder does not provide Petrohawk (or the exchange agent) with his or her correct taxpayer identification number, the stockholder may be subject to penalties imposed by the Internal Revenue Service. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the stockholder's U.S. federal income tax liability, provided that the stockholder furnishes certain required information to the Internal Revenue Service.

***Obtain Personal Tax Advice***

The summary of material U.S. federal income tax consequences set forth above is intended to provide only a general summary of the merger and is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the merger. In addition, the summary does not address tax consequences that may vary with, or are contingent on, individual circumstances. Moreover, the summary does not address any non-income tax or any foreign, state, local or other tax consequences of the merger. **Accordingly, each Mission stockholder is urged to consult his or her own tax advisor to determine the particular federal, state, local or foreign income, reporting or other tax consequences of the merger to that stockholder.**

**Extension, Waiver and Amendment of the Merger Agreement**

***Extension and Waiver***

At any time prior to the effective time of the merger, Petrohawk, Merger Sub and Mission may, to the extent legally allowed:

extend the time for the performance of any of the obligations or other acts of the other parties under the merger agreement;

waive any inaccuracies in the other parties' representations and warranties contained in the merger agreement or in any document, certificate or writing delivered pursuant to the merger agreement by the other parties; and

waive the other parties' compliance with any of its agreements or conditions contained in the merger agreement.

Any such waiver or extension is subject to the following conditions:

any agreement allowing an extension or waiver must be set forth in a written instrument signed on behalf of the party allowing the extension or waiver;

any waiver will only waive the respective matter described in the writing and will not impair the rights of the party granting the waiver in any other respect or at any other time;

neither any waiver by any party to the merger agreement, nor the failure by any party to enforce any provisions of the merger agreement or to exercise any rights will be construed as a waiver of any other breach or default, or as a waiver of any such provisions, rights or privileges under the merger agreement; and



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the rights and remedies provided under the merger agreement are cumulative and none is exclusive of any other, or of any rights or remedies that any party may otherwise have.

### ***Amendment***

Subject to compliance with applicable law, Petrohawk, Merger Sub and Mission may amend the merger agreement at any time before or after adoption of the merger agreement by Mission stockholders. However, after any adoption of the merger agreement by Mission stockholders there may not be, without their further approval, any amendment of the merger agreement that:

changes the merger consideration to be received by the Mission stockholders in the merger;

changes any term of the certificate of incorporation of Merger Sub; or

adversely affects the holders of any shares of Mission capital stock.

### **Employee Benefit Plans and Existing Agreements**

The merger agreement provides that Mission will modify its severance benefit plans so that Mission employees that are offered comparable employment and pay, with Petrohawk's normal benefits, will not be entitled to severance pay, unless they are subsequently terminated without cause within one year following the effective date of the merger.

The service of each Mission employee with Mission or its subsidiaries (or any predecessor employer) prior to the effective time of the merger will be treated as service with Petrohawk and its subsidiaries for purposes of each employee benefit plan of Petrohawk in which such Mission employee is eligible to participate after the effective time of the merger, including for purposes of eligibility, vesting and benefit levels and accruals (other than defined benefit pension plan accruals).

Following the effective time of the merger, for purposes of each employee benefit plan of Petrohawk in which any Mission employee or his or her eligible dependents is eligible to participate, Petrohawk has agreed to, and has agreed to cause its subsidiaries to, (1) waive any pre-existing condition, exclusion, actively-at-work requirement or waiting period to the extent such condition, exclusion, requirement or waiting period was satisfied or waived under the comparable employee benefit plan of Mission as of the effective time of the merger (or, if later, the date on which the employee transitions to the Petrohawk benefit plan) and (2) provide full credit for any co-payments, deductibles or similar payments made or incurred prior to the effective time of the merger for the plan year in which the effective time date of the merger (or the applicable plan transition date) occurs.

The merger agreement acknowledges that it contains no requirement that Petrohawk or any of its affiliates continue to employ any Mission employee for any length of time following the closing date of the merger. The merger agreement does not prevent Petrohawk or its affiliates from terminating, or modifying the terms of employment of, any Mission employee following the closing date of the merger or terminating or modifying to any extent any employee benefit plan of Mission or any other employee benefit plan, program, agreement or arrangement that Petrohawk or its affiliates may establish or maintain.

### **Nasdaq National Market Listing of Petrohawk Common Stock; Delisting and Deregistration of Mission Common Stock**

It is a condition to completion of the merger that the shares of Petrohawk common stock issuable in the merger be authorized for listing on the Nasdaq National Market, subject to official notice of issuance. If the merger is completed, Mission common stock will cease to be quoted on the Nasdaq National Market and Mission's shares will be deregistered under the Exchange Act.

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### **Expenses**

The merger agreement provides that each of Petrohawk and Mission will pay its own costs and expenses in connection with the transactions contemplated by the merger agreement, except as described above in Termination of the Merger Agreement Termination Fees and Expenses.

### **Dividends**

The merger agreement provides that, prior to the effective time:

Mission or any of its subsidiaries may not declare, set aside or pay any dividend or other distribution, whether payable in cash, stock or any other property or right, with respect to its capital stock, except that Mission may permit any direct or indirect wholly-owned subsidiary to do any of the foregoing; and

Petrohawk or any of its subsidiaries may not declare, set aside or pay any dividend or other distribution (other than in the case of any wholly owned subsidiary of Petrohawk), whether payable in cash, stock or any other property or right, with respect to its capital stock except that Petrohawk may pay quarterly cash dividends on its preferred stock.

### **Appraisal Rights**

Shares of Mission common stock outstanding immediately prior to the effective time of the merger and held by a holder who has not voted in favor of, or consented in writing to, the adoption of the merger agreement and approval of the merger and the other transactions contemplated by the merger agreement and who has delivered a written demand for appraisal of such shares in accordance with Section 262 of the DGCL will not be converted into the right to receive the merger consideration, unless and until the dissenting holder fails to perfect or effectively withdraws or otherwise loses his or her right to appraisal and payment under the DGCL. If, after the effective time of the merger, a dissenting stockholder fails to perfect or effectively withdraws or loses his or her right to appraisal, his or her shares of Mission common stock will be treated as if they had been converted as of the effective time of the merger into the right to receive the merger consideration without interest or dividends thereon.

### **Regulatory Filings and Approvals Required to Complete the Merger**

We are not aware of any material governmental or regulatory approval required for the completion of the merger, other than compliance with the applicable corporate law of the State of Delaware.

### **Accounting Treatment**

The merger will be accounted for as a purchase, as that term is used under GAAP, for accounting and financial reporting purposes. Mission will be treated as the acquired corporation for accounting and financial reporting purposes. Mission's assets, liabilities and other items will be adjusted to their estimated fair value on the closing date of the merger and combined with the historical book values of the assets and liabilities of Petrohawk. Applicable income tax effects of these adjustments will be included as a component of the combined company's deferred tax asset or liability. The difference between the estimated fair value of the assets (including separately identifiable intangible assets), liabilities and other items (adjusted as discussed above) and the purchase price will be recorded as goodwill. Financial statements of Petrohawk issued after the merger will reflect the values and will not be restated retroactively to reflect the historical financial position or results of operations of Mission.

### **Financial Interests of Mission's Directors and Executive Officers in the Merger**

In considering the recommendations of the Mission board of directors with respect to the merger agreement, you should be aware that Mission's directors and executive officers have financial and other interests in the merger in addition to their interests as stockholders of Mission. The Mission board of directors was aware of these additional interests and considered them, among other matters, in reaching its

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decision to approve the merger agreement and to recommend that Mission stockholders vote to adopt the merger agreement and approve the merger and the other transactions contemplated by the merger agreement.

**Board of Directors**

The merger agreement provides that Petrohawk will increase the size of its board of directors by two members, for a total of nine members, and that following the merger Petrohawk will appoint two persons designated by the Mission board of directors to fill the vacancies created by such increase, which will consist of one Class I director whose term will expire in 2008 and one Class II director whose term will expire in 2006. Petrohawk has also agreed to recommend that the Class II director designee be elected to the Petrohawk board of directors at the first annual meeting of Petrohawk stockholders following the merger.

**Stock Options**

Pursuant to their terms and the Mission stock option plans, all options to acquire Mission common stock, including stock options held by directors and executive officers of Mission, that are outstanding prior to the merger will automatically become vested and exercisable at the effective time of the merger. The merger agreement provides that each stock option that is outstanding and unexercised immediately prior to the effective time of the merger will be converted into an option to acquire shares of Petrohawk common stock. For a more complete description of the terms of the new Petrohawk stock options, see above under the heading Treatment of Options.

The following table sets forth, as of April 22, 2005 the number of shares of Mission common stock subject to vested and unvested stock options held by Mission's directors and executive officers and the estimated value of those stock options based on the closing price of Mission of \$7.52 per share on April 22, 2005:

Name	Title	Number of Shares Subject to Unvested Options	Estimated Value of Unvested Options	Number of Shares		Estimated Value of Vested Options
				Subject to Vested Options	Vested Options	
Robert L. Cavnar	Chairman, President and Chief Executive Officer	191,666	\$ 860,954	2,058,334		\$ 13,882,296
Richard W. Piacenti	Executive Vice President and Chief Financial Officer	108,333	\$ 469,039	391,667		\$ 2,424,211
John (Jack) L. Eells	Senior Vice President Exploration and Geoscience	75,000	\$ 332,500	350,000		\$ 2,255,750
Marshall L. Munsell	Senior Vice President Land and Land Administration	100,000	\$ 418,251	250,000		\$ 1,403,249
Tom C. Langford	Senior Vice President General Counsel	200,000	\$ 259,000	100,000		\$ 129,500
William R. Picquet	Senior Vice President Operations and Engineering	125,000	\$ 47,500	125,000		\$ 47,500

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David A. B. Brown	Director	35,000	\$	201,575
Joseph N. Jagers	Director	30,000	\$	140,525
Robert R. Rooney	Director	39,000	\$	200,300
Herbert C. Williamson, III	Director	35,000	\$	197,575

**Table of Contents*****Employment Agreements***

Messrs. Cavnar, Piacenti, Eells, Munsell, Langford and Picquet are each party to an employment agreement with Mission. These agreements provide that in the event such executive's employment with Mission is terminated without cause, or by the executive for good reason, within twelve months following a change of control, such executive will receive severance pay equal to two years of salary plus a pro rated portion of his annual bonus, which bonus will not be less than one-half the executive's current salary, and, if applicable, an additional cash payment to make the executive whole for certain tax liabilities, as well as payment for any accrued and used vacation time or other unpaid benefits. In addition, all stock options held by the executive will immediately vest and the period during which they may be exercised extended for up to one year, and, if he so elects, he will be provided, at Mission's expense, continuing coverage under Mission's group health plans for the applicable coverage period under the Consolidated Omnibus Budget Reconciliation Act of 1985.

***Indemnification and Insurance***

The merger agreement provides that, after the effective time of the merger, Petrohawk will indemnify, defend and hold harmless the present and former officers, directors, employees and agents of Mission and its subsidiaries in such capacities to the fullest extent that Mission or its subsidiaries would have been required to do so in accordance with the provisions of each indemnification or similar agreement between Mission or any of its subsidiaries and any such individual, in each case against any losses, damages, expenses or liabilities resulting from any claim, liability, loss, damage, cost or expense, asserted against, or incurred by, any such individual that is based on the fact that such individual is or was a director, officer, employee or agent of Mission or its subsidiaries and arising out of actions or omissions or alleged actions or omissions occurring at or prior to the effective time of the merger. Petrohawk will also take all necessary actions to ensure that its director's and officer's liability insurance continues to cover each officer and director of Mission, in each case so long as they remain employed or retained by Petrohawk or any affiliate of Petrohawk (including the surviving corporation) as an officer or director.

In addition, the merger agreement provides that prior to the closing of the merger, Mission will purchase, and after the effective time of the merger the surviving corporation will maintain, directors' and officers' liability insurance covering, for a period of six years after the effective time of the merger, the directors and officers of Mission and its subsidiaries who are currently covered by Mission's existing directors' and officers' liability insurance with respect to claims arising from facts or events that occurred before the effective time of the merger, on terms and conditions substantially similar to those in effect on April 3, 2005; provided, however, that the aggregate annual premiums for such insurance at any time during such period may not exceed 250% of the per annum rate of premium currently paid by Mission and its subsidiaries for such insurance on April 3, 2005.

***Restrictions on Resales by Affiliates***

Shares of Petrohawk common stock to be issued to Mission stockholders in the merger have been registered under the Securities Act, as amended, and may be traded freely and without restriction by those stockholders not deemed to be affiliates (as that term is defined under the Securities Act) of Mission. Any subsequent transfer of shares, however, by any person who is an affiliate of Mission at the time the merger is submitted for a vote of the Mission stockholders will, under existing law, require either:

the further registration under the Securities Act of the Petrohawk common stock to be transferred;

compliance with Rule 145 promulgated under the Securities Act, which permits limited sales under certain circumstances; or