

GASTAR EXPLORATION LTD
Form DEF 14A
April 16, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant
Check the appropriate box:
 Preliminary Proxy Statement
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 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Under Rule 14a-12
Gastar Exploration Ltd.

(Name of Registrant as Specified In Its Charter)

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Gastar Exploration Ltd.
1331 Lamar Street, Suite 650
Houston, Texas 77010

NOTICE OF THE 2012 ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

Thursday, June 7, 2012

To our Shareholders:

The 2012 Annual General and Special Meeting of Shareholders (the “Annual Meeting”) of Gastar Exploration Ltd., an Alberta, Canada corporation (the “Company”), will be held on Thursday, June 7, 2012, 10:00 a.m., central time, at the Hilton Americas-Houston Hotel, 1600 Lamar Street, Houston, Texas 77010. At the Annual Meeting, shareholders will consider and vote on the following proposals:

1. To fix the Board of Directors at six (6) members;
2. To elect six (6) members to the Board of Directors to serve until our 2013 annual meeting of shareholders and their successors are elected and qualified;
3. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2012;
4. To approve the Second Amendment to the 2006 Long-Term Stock Incentive Plan;
5. To approve on a non-binding advisory basis the compensation of our named executive officers; and
6. To transact any such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof.

Only holders of record of our common shares at the close of business on April 20, 2012, which is the Record Date, are entitled to notice of and to attend the Annual Meeting or any adjournment or postponement thereof and to vote on the above listed matters at the Annual Meeting. A list of shareholders entitled to vote at the Annual Meeting will be available for inspection starting on May 21, 2012 through June 6, 2012 during usual business hours at our offices at 1331 Lamar Street, Suite 650, Houston, Texas 77010, and will also be available for inspection at the Annual Meeting. It is important that your common shares are represented at the Annual Meeting, whether or not you plan to attend in person and regardless of the number of common shares you own. If you are a shareholder whose common shares are registered in your name, to ensure your common shares are represented, we urge you to submit a proxy containing your voting instructions as soon as possible by signing and dating the enclosed proxy card and returning it in the envelope provided for that purpose, in the manner described in the Proxy Statement accompanying this notice (the “Proxy Statement”). Even if you submit your proxy, you may still vote in person if you attend the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must obtain from the record holder a proxy issued in your name.

The specific details of the matters proposed to be dealt with at the Annual Meeting are set forth in the accompanying Proxy Statement. Additionally, we will report on our business and financial performance for the year ended December 31, 2011, including our audited consolidated financial statements and the auditor’s report for the year ended December 31, 2011, and other information concerning us that can be found in our Annual Report on Form 10-K for the year ended December 31, 2011, a copy of which is included in our 2011 Annual Report to Shareholders (the “2011 Annual Report”) that accompanies this Notice. Our 2011 Annual Report is being mailed to registered shareholders with this Notice and the accompanying Proxy Statement on or about May 3, 2012.

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON THURSDAY, JUNE 7, 2012.

The Notice of Annual General and Special Meeting of the Shareholders, the Proxy Statement and the 2011 Annual Report are available at www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=26191.

DATED this 16th day of April 2012.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ J. RUSSELL PORTER

J. Russell Porter
President and Chief Executive Officer

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Gastar Exploration Ltd.

1331 Lamar Street, Suite 650

Houston, Texas 77010

PROXY STATEMENT FOR THE

2012 ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

Thursday, June 7, 2012

This Proxy Statement (the “Proxy Statement”) contains information about the 2012 Annual General and Special Meeting of Shareholders (the “Annual Meeting”) of Gastar Exploration Ltd. (“Gastar,” the “Company,” “we,” “us” or “our”). The Annual Meeting will be held on Thursday, June 7, 2012, 10:00 a.m., central time, at the Hilton Americas-Houston Hotel, 1600 Lamar Street, Houston, Texas 77010.

This Proxy Statement is being furnished to you in connection with the solicitation by our board of directors (the “Board”) of proxies to be voted on at the Annual Meeting. As a shareholder, your vote is very important, and the Board strongly encourages you to exercise your right to vote whether or not you plan to attend the Annual Meeting in person. Shares cannot be voted at the Annual Meeting unless the owner is present to vote or is represented by proxy. All proxies will be voted in accordance with the instructions they contain. If no instruction is specified on a proxy, it will be voted in favor of the matters set forth below, which are explained in more detail elsewhere in this Proxy Statement and in the discretion of the proxy holder with respect to any other matters properly brought before the Annual Meeting. A shareholder may revoke his or her proxy at any time before it is exercised by (i) submitting written notice to that effect or a new proxy to our Secretary at the registered office of the Company at any time up to and including the last business day preceding the day of the Annual Meeting, (ii) submitting written notice to that effect or a new proxy to the chairperson of the Annual Meeting on the day of the Annual Meeting at any time before the polls close at the Annual Meeting, (iii) voting in person at the Annual Meeting or (iv) in any other manner permitted by law. Attendance at the Annual Meeting will not, by itself, revoke your proxy.

The matters to be acted on at the Annual Meeting are set forth below and in the accompanying Notice and are explained in more detail elsewhere in this Proxy Statement. Additionally, we will report on our business and financial performance for the year ended December 31, 2011, including our audited consolidated financial statements and the auditor’s report for the year ended December 31, 2011, and other information concerning us that can be found in our Annual Report on Form 10-K for the year ended December 31, 2011, a copy of which is included in our 2011 Annual Report to Shareholders (the “2011 Annual Report”) included in these proxy materials.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON THURSDAY, JUNE 7, 2012.

In accordance with rules promulgated by the Securities and Exchange Commission (the “SEC”) and in connection with the solicitation of proxies by the Board for the Annual Meeting, we have made our proxy materials available to you free of charge on the Internet in addition to delivering paper versions of these materials to you by mail (including the Notice, this Proxy Statement, the 2011 Annual Report and a form of proxy). Beginning on or about May 3, 2012, these proxy materials are being mailed to our shareholders and are available on the Internet at www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=26191.

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Gastar Exploration Ltd.
1331 Lamar Street, Suite 650
Houston, Texas 77010

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS, THE ANNUAL MEETING AND VOTING

Why am I receiving these proxy materials?

The Board is soliciting your proxy to vote at the Annual Meeting because you owned common shares at the close of business on April 20, 2012, the record date for the Annual Meeting (the "Record Date"), and are therefore entitled to vote at the Annual Meeting. This Proxy Statement, along with a proxy card, is being mailed to shareholders on or about May 3, 2012. We have also made these materials available to you free of charge on the Internet. This Proxy Statement summarizes the information that you need to know in order to cast your vote at the Annual Meeting. As a shareholder, your vote is very important and the Board strongly encourages you to exercise your right to vote. You do not need to attend the Annual Meeting in person to vote your shares, and we encourage you to vote even if you are unable to attend the Annual Meeting. If you are unable to attend the Annual Meeting in person, you may vote by Internet or by signing and returning the attached proxy card in the envelope provided. See "How do I vote my common shares?" below.

When and where will the Annual Meeting be held?

The Annual Meeting will be held on Thursday, June 7, 2012, 10:00 a.m., central time, at the Hilton Americas-Houston Hotel, 1600 Lamar Street, Houston, Texas 77010.

Who is soliciting my proxy?

The Board is soliciting your proxy to vote on all matters scheduled to come before the Annual Meeting, whether or not you attend in person. By completing and returning the proxy card or by casting your vote via the Internet, you are authorizing the proxy holders to vote your shares at the Annual Meeting, as you have instructed.

On what matters will I be voting?

At the Annual Meeting, our shareholders will be asked:

1. To fix the Board at six (6) members;
2. To elect six (6) members to the Board to serve until our 2013 annual meeting of shareholders and their successors are elected and qualified;
3. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2012;
4. To approve the Second Amendment to the 2006 Long-Term Stock Incentive Plan;
5. To approve on a non-binding advisory basis the compensation of our named executive officers; and
6. To transact any such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof.

We do not expect any matters to be presented for action at the Annual Meeting other than the items outlined above. By signing and returning the enclosed proxy, however, you grant the persons named as proxies discretionary voting authority with respect to any other matter that may properly come before the Annual Meeting. Such persons intend to vote on any such other matter in accordance with their best judgment.

In addition, our executive management will report on our business and financial performance during fiscal year 2011 and respond to your questions.

How does the Board recommend that I cast my vote?

The Board unanimously recommends that you vote:

- FOR** the fixing of the Board at six (6) members;
- FOR** the election to the Board of each of the six (6) nominees for director;
- FOR** the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2012;
- FOR** the approval of the Second Amendment to the 2006 Long-Term Stock Incentive Plan; and
- FOR** the approval on an advisory basis of the compensation of our named executive officers.

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How many votes may I cast?

Each of our common shares that you own on the Record Date entitles you to cast one vote on each matter that is properly brought before the Annual Meeting.

How many votes can be cast by all shareholders?

As of the Record Date, there were 65,743,543 common shares outstanding and entitled to vote at the Annual Meeting.

Is my vote important?

Your vote is important regardless of how many common shares you own. Please take the time to vote. Please read the instructions below, choose the way to vote that is easiest and most convenient for you and cast your vote as soon as possible.

Can I vote if my shares are held in “street name”?

If your common shares are held through a broker, bank or other nominee, you are considered the beneficial owner of the common shares held in “street name.” As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote your common shares and are also invited to attend the Annual Meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the Annual Meeting unless you obtained a signed proxy from the record holder giving you the right to vote the shares. In order to vote your common shares, you will need to follow the directions your broker, bank or other nominee provides you.

What are broker non-votes and abstentions?

If you hold your shares in “street name,” you will receive instructions from your broker, bank or other nominee describing how to vote your shares. If you do not instruct your broker, bank or other nominee how to vote your shares, they may vote your shares as they decide as to each matter for which they have discretionary authority under the rules of the New York Stock Exchange (the “NYSE”).

There are also non-discretionary matters for which brokers, banks and other nominees do not have discretionary authority to vote unless they receive timely instructions from you. When a broker, bank or other nominee does not have discretion to vote on a particular matter and you have not given timely instructions on how the broker, bank or other nominee should vote your shares, a “broker non-vote” results. Although any broker non-vote would be counted as present at the meeting for purposes of determining a quorum, it would be treated as not entitled to vote with respect to non-discretionary matters.

Abstentions occur when shareholders are present at the Annual Meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the shareholders are voting. If your shares are held in “street name” and you do not give voting instructions, pursuant to NYSE Rule 452, the record holder will not be permitted to vote your shares with respect to fixing the Board at six members, the election of the director nominees, the approval of the Second Amendment to the 2006 Long-Term Incentive Plan and the advisory vote to approve named executive officer compensation, and your shares will be considered “broker non-votes” with respect to these proposals. If you shares are held in “street name” and you do not give voting instructions, the record holder will nevertheless be entitled to vote your shares with respect to ratification of the appointment of BDO USA, LLP in the discretion of the record holder.

How many common shares must be present to hold the Annual Meeting?

A quorum of shareholders is necessary for a valid Annual Meeting. The required quorum for the transaction of business at the Annual Meeting is the presence, either in person or by proxy, of holders of not less than 5% of the total outstanding common shares entitled to vote at the Annual Meeting. Abstentions and broker non-votes will be counted for the purpose of determining the presence of a quorum.

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What vote is required to elect the directors and to approve each of the proposals discussed in this Proxy Statement?	Vote Required
Proposal To fix the Board at six (6) members.	A majority of votes cast in person or by proxy.
To elect six (6) members to the Board to serve until our annual meeting in 2013 or until their successors are qualified and elected.	The six (6) directors who receive a majority of the votes cast in person or by proxy.
To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2012.	A majority of votes cast in person or by proxy.
To approve the Second Amendment to the 2006 Long-Term Stock Incentive Plan.	A majority of votes cast in person or by proxy.
To approve the compensation of our named executive officers.	A majority of votes cast in person or by proxy.

As noted above, except with respect to ratification of the appointment of BDO USA, LLP, shares represented by broker non-votes are not considered entitled to vote and are not considered votes cast. With respect to fixing the Board at six (6) members, abstentions and broker non-votes will have no effect on the result of the vote. With respect to the election of directors, votes may be cast in favor of or withheld from the election of each nominee and the nominees that receive an affirmative vote of the majority of votes cast in person or by proxy will be elected. Accordingly, votes that are withheld from a director's election will count toward a quorum but will not affect the outcome of the vote on the election of a director. Also, broker non-votes will not be counted as votes cast and will not affect the outcome of the vote on the election of a director. With respect to approve the Second Amendment to the 2006 Long-Term Stock Incentive Plan and the advisory vote on named executive compensation, for which the affirmative vote of the holders of a majority of the votes cast in person or by proxy is required, abstentions and broker non-votes will not be counted as votes cast and therefore will not affect the outcome of the vote. With respect to the ratification of the appointment of BDO USA, LLP, abstentions are not considered to be votes cast and therefore will not affect the outcome of the vote.

While the advisory vote on named executive compensation is required by law, the outcome will not be binding on Gastar or the Board, nor will it create or imply any change in the fiduciary duties of, or impose any additional fiduciary duty on, our company or the Board. However, the Compensation Committee will take into account the outcome of the advisory vote on executive compensation when considering future executive compensation decisions.

How do I vote my common shares?

Shareholders of Record. Shareholders of record may vote their shares or submit a proxy to have their shares voted by one of the following methods:

To Vote by Mail. You may vote by completing and signing the proxy card that accompanies this Proxy Statement and promptly mailing it in the enclosed envelope. The common shares you own will be voted according to the instructions on the proxy card that you provide. If you return the proxy card but do not give any instructions on a particular matter described in this Proxy Statement, the common shares you own will be voted in accordance with the recommendations of the Board. In order to be valid and acted upon at the Annual Meeting, your proxy card must be received by our registrar and transfer agent, American Stock Transfer & Trust Company, Attention: Proxy Department, 6201 15th Avenue, Brooklyn, New York 11219, at least 24 hours before the time of the Annual Meeting or any adjournment thereof, excluding weekends and holidays.

To Vote by the Internet. You may vote online by going to the following Internet address: <http://www.proxyvote.com>. Please have your proxy card available and follow the instructions to obtain your records and create an electronic ballot. You may use the Internet to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (central time)

on June 6, 2012.

To Vote in Person. If you attend the Annual Meeting, you may vote by delivering your completed proxy card in person or by completing a ballot, which will be available at the Annual Meeting. Attending the Annual Meeting without delivering your completed proxy card or completing a ballot will not count as a vote. Submitting a proxy via mail or by Internet will not prevent you from attending the Annual Meeting and voting in person.

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Street Name Shareholders. Street name shareholders may generally vote their shares or submit a proxy to have their shares voted by one of the following methods:

By Mail. You may indicate your vote by completing, signing and dating your voting instruction card or other information forwarded by your broker, bank or other nominee and returning it to such party in the manner specified in such materials.

By Methods Listed on Voting Instruction Form. Please refer to your voting instruction form or other information forwarded by your broker, bank or other nominee to determine whether you may submit a proxy by telephone or electronically on the Internet, following the instructions on the voting instruction form or other information provided by the record holder.

In Person with a Proxy from the Record Holder. You may vote in person at our Annual Meeting if you obtain a legal proxy from your broker, bank or other nominee. Please consult the voting instruction form or other information sent to you by the record holder to determine how to obtain a legal proxy in order to vote in person at our Annual Meeting.

Can I change my vote after I have mailed my proxy card?

Yes, if you are a shareholder of record, you can revoke your proxy at any time before it is exercised by: submitting written notice to that effect or a new proxy to our Secretary at our registered office at any time up to and including the last business day preceding the day of the Annual Meeting;

submitting written notice to that effect or a new proxy to the chairperson of the Annual Meeting at the Annual Meeting at any time before the polls close at the Annual Meeting;

voting in person at the Annual Meeting; and

in any other manner permitted by law.

If you are a street name shareholder and you vote by proxy, you may change your vote by submitting new voting instructions to your broker, bank or other nominee in accordance with such entity's procedures. In either case, your attendance at the Annual Meeting alone will not revoke your proxy.

Will any other business be conducted at the Annual Meeting or will other matters be voted on?

We do not expect any matters to be presented for action at the Annual Meeting other than the items discussed in this Proxy Statement. If any other matter properly comes before the Annual Meeting, the persons named in the proxy card, whether you submit your proxy in person, over the Internet or by mail, will exercise their judgment in deciding how to vote, or otherwise act, at the Annual Meeting with respect to that matter or proposal.

May I propose actions for consideration at next year's annual meeting or nominate individuals to serve as directors?

You may submit proposals for consideration at future annual meetings. See "Shareholder Proposals and Nominations" for information regarding the submission of shareholder proposals at next year's annual meeting.

Where can I find the voting results?

We will report the voting results in a periodic report on Form 8-K with the SEC within four business days of the Annual Meeting.

Who bears the costs of soliciting these proxies?

We will bear the entire cost of the solicitation of proxies, including preparation, assembly, printing and mailing of this Proxy Statement, the proxy card and the other proxy materials furnished to shareholders. In addition to this solicitation by mail, certain directors, officers and employees may also solicit proxies on our behalf by use of mail, telephone, facsimile, electronic means, in person or otherwise. These persons will not receive any additional compensation for assisting in the solicitation but may be reimbursed for reasonable out-of-pocket expenses in connection with the solicitation. We will furnish copies of solicitation materials to banks, brokerage houses, fiduciaries and custodians holding in their names common shares beneficially owned by others to forward to such beneficial owners. We will reimburse banks and brokers for their reasonable out-of-pocket expenses incurred in connection with the distribution of our proxy materials. We have retained Broadridge Investor Communications Services ("Broadridge") to aid in the distribution of proxy materials and to provide voting and tabulation services for the Annual Meeting. For these services, we will pay Broadridge a fee of approximately \$35,000 and reimburse it for certain expenses. We have also arranged for American Stock Transfer & Trust Company, LLC ("AST") to make our proxy materials available over the Internet on a cookie-free website. For this service, we will pay AST \$1,500.

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How do I get directions to the Annual Meeting?

For directions to the Annual Meeting, please contact our Secretary at (713) 739-1800.

INFORMATION ABOUT DIRECTORS, DIRECTOR NOMINEES,
EXECUTIVE OFFICERS AND MEMBERS OF MANAGEMENT

The Board currently is composed of six (6) members: Floyd R. Price (Chairman), John H. Cassels, Randolph C. Coley, Robert D. Penner, J. Russell Porter and John M. Selser Sr.

The Nominating & Governance Committee has recommended to the Board, and the Board has nominated Messrs. Price, Cassels, Coley, Penner, Porter and Selser for re-election at the Annual Meeting. Information about each director nominee can be found beginning on page 29 in connection with “Proposal 2. Election of the Board.” Although the Board does not contemplate that any of the director nominees will refuse or be unable to serve, if such a situation arises prior to the Annual Meeting, the persons named in the accompanying proxy will vote for the election of such other person(s) as may be nominated by the Board

Biographical information about our executive officers and other members of our management as of April 1, 2012 is set forth below other than our Chief Executive Officer, who also serves as director.

Name	Age	Position
J. Russell Porter (1) (2)	50	President and Chief Executive Officer
Michael A. Gerlich (1)	57	Vice President, Chief Financial Officer and Corporate Secretary
Keith R. Blair	57	Vice President & Exploration Manager
Henry J. Hansen	56	Vice President – Land
Michael McCown	57	Vice President – Northeast
R. David Rhodes	53	Vice President – Completion and Production

(1) Messrs. Porter and Gerlich are our only “Executive Officers” as such terms are defined by the rules promulgated by the SEC.

(2) For a description of the business background and other information concerning Mr. Porter, see page 29 in connection with “Proposal 2. Election of the Board.”

Michael A. Gerlich joined us in May 2005 as Vice President and Chief Financial Officer and was appointed Corporate Secretary on March 8, 2011. Mr. Gerlich has over 32 years of natural gas and oil accounting and finance experience. From 1999 until joining us in 2005, he held various accounting and finance positions at Calpine Natural Gas LP, a wholly-owned subsidiary of Calpine Corporation, an independent electric power generation company listed on the New York Stock Exchange. His last position at Calpine Natural Gas LP was Senior Vice President – Accounting and Finance for natural gas and oil operations of the wholly-owned subsidiary. From 1994 until 1999, Mr. Gerlich served as Vice President and Chief Financial Officer of Sheridan Energy, Inc., an independent natural gas and oil exploration company traded on the NASDAQ, which was acquired in 1999 by Calpine Corporation. Over a 12-year period prior to joining Sheridan Energy, Inc., Mr. Gerlich held various accounting and finance positions with Trinity Resources, Ltd., an independent natural gas and oil exploration and production company, with his last position being Executive Vice President and Chief Financial Officer. Prior to that, Mr. Gerlich was also with Deloitte LLP, where the focus of his practice was with energy related clients. Mr. Gerlich is a Certified Public Accountant and graduated with honors from Texas A&M University with a Bachelor of Business Administration degree in Accounting.

Keith R. Blair joined us in August 2005 as a Senior Staff Geologist and was promoted to Vice President, Exploration Manager in 2008. Mr. Blair has over 32 years of natural gas and oil experience. He has extensive working knowledge of natural gas and oil basins in Colorado, New Mexico, East Texas, West Virginia/Pennsylvania, Offshore Gulf of Mexico and the Texas/Louisiana Gulf Coast. Prior to joining us, from 1999 until 2005, he was an independent exploration geologist. From 1995 until 1999, Mr. Blair was a Senior Geophysicist at Schlumberger Limited. Prior to 1995, he held an Exploration Manager/Supervisor position at ConocoPhillips for 14 years. He began his career as a well logging engineer with Halliburton Company. Mr. Blair graduated from Texas A&M University with a Bachelor of Science degree in Geology.

Henry J. Hansen joined us in September 2005 as Vice President of Land. Mr. Hansen has over 32 years of land management experience. Prior to joining us, Mr. Hansen was Rocky Mountain Land Manager with El Paso Corporation, a natural gas and oil exploration, production and pipeline company, from 1999 until January 2003. From January 2003 until June 2004, he worked as an independent land consultant. Mr. Hansen returned to El Paso Corporation in June 2004, where he was a

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senior landman until joining us in September 2005. Mr. Hansen graduated from the University of Texas at Austin with a Bachelor of Business Administration in Petroleum Management.

Michael McCown joined us in December 2009 as a Senior Advisor and in July 2010 was elected Vice President – Northeast. Mr. McCown is responsible for all operational activities on our Marcellus Shale assets. Prior to joining us, from 2006 to June 2010