GASTAR EXPLORATION LTD
Form PRE 14A
April 15, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

SCHEDULE 14A

INFORMATION

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

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement
¨ **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Under Rule 14a-12

Gastar Exploration Ltd.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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Gastar Exploration Ltd.

1331 Lamar Street, Suite 1080

Houston, Texas 77010

NOTICE OF THE 2009 ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

Thursday, June 3, 2010

To our Shareholders:

The 2010 Annual General and Special Meeting of Shareholders (the Annual Meeting) of Gastar Exploration Ltd., an Alberta, Canada corporation, will be held on Thursday, June 3, 2010, 10:00 a.m. (central time), at the Four Seasons Hotel, 1300 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 from five (5) to six (6) members;

2. To elect six (6) members to the Board of Directors to serve until our annual meeting of shareholders in 2011 or until their successors are elected and qualified;

3. To approve and ratify, by ordinary resolution, an amendment to our Bylaws, which requires that the positions of Chairman and Chief Executive Officer be held by separate individuals;

4. To ratify the Audit Committee s appointment of BDO Seidman, LLP, as our independent registered public accounting firm for the year ending December 31, 2010; and

5. 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 14, 2010 (the Record Date) are entitled to notice of and to attend the Annual Meeting or any adjournment(s) 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 20, 2010 through Wednesday, June 2, 2010, during usual business hours at Gastar Exploration Ltd. s offices at 1331 Lamar Street, Suite 1080, Houston, Texas 77010 and also will 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, and to make sure 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, each in the manner described in the accompanying Proxy Statement. Even if you have given 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 Proxy Statement accompanying this notice. Additionally, we will report on our business and financial performance, including our audited consolidated financial statements and the auditor s report for the year ended December 31, 2009 and other information concerning us that can be found in our Annual Report on Form 10-K for the year ended December 31, 2009 (the 2009 Form 10-K), a copy of which is included in our 2009 Annual Report to Shareholders (the 2009 Annual Report) that accompanies this notice. Our 2009 Annual Report and this notice are being mailed to registered shareholders with the accompanying Proxy Statement on or about April 30, 2010 and also are available to you over the Internet at www.gastar.com.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON THURSDAY, JUNE 3, 2010.

In accordance with the rules promulgated by the U.S. Securities and Exchange Commission, we are providing access to our Proxy Materials over the Internet. The Proxy Materials, including the Proxy Statement and 2009 Annual Report to Shareholders, are available at www.gastar.com and www.sedar.com.

DATED this 30th day of April 2010.

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 1080

Houston, Texas 77010

PROXY STATEMENT FOR THE

2010 ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

Thursday, June 3, 2010

This Proxy Statement contains information about the 2010 Annual General and Special Meeting of Shareholders (the Annual Meeting) of Gastar Exploration Ltd. The Annual Meeting will be held on Thursday, June 3, 2010, 10:00 a.m. (central time), at the Four Seasons Hotel, 1300 Lamar Street, Houston, Texas 77010.

This Proxy Statement is furnished in connection with the solicitation by the board of directors (the Board) of proxies to be voted on at the Annual Meeting of Gastar Exploration Ltd., which is also referred to as Gastar , the Company , we , us or our in this Proxy Statement. All prox 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 in the notice of the Annual Meeting. A shareholder may revoke his or her proxy at any time before it is exercised by (1) 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, (2) submitting written notice to that effect or a new proxy to the chairperson of the Annual Meeting on the day of the Annual Meeting, (3) voting in person at the Annual Meeting or (4) in any other manner permitted by law. Attendance at the Meeting will not, by itself, revoke your proxy.

The matters to be acted on at the Annual Meeting are set forth in this Proxy Statement and the accompanying notice of the Annual Meeting. Additionally, we will report on the business and financial performance of Gastar.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE

ANNUAL MEETING TO BE HELD ON THURSDAY, JUNE 3, 2010.

In accordance with rules promulgated by the Securities and Exchange Commission (the SEC) and in connection with the solicitation of proxies by our Board for the Annual Meeting, we have made our proxy materials available to you on the Internet in addition to delivering paper versions of these materials to you by mail (including the notice, this Proxy Statement, the Annual Report to Shareholders, which includes the Form 10-K for the fiscal year ended December 31, 2009 (the 2009 Annual Report) and a form of proxy). Beginning on or about April 30, 2010, these proxy materials are being mailed to our shareholders and are available on the Internet at www.gastar.com and at www.sedar.com.

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1331 Lamar Street, Suite 1080

Houston, Texas 77010

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

Why am I receiving these proxy materials?

Our Board is soliciting your proxy to vote at our Annual Meeting because you owned shares of our common stock at the close of business on April 14, 2010, the record date for the Annual Meeting (the Record Date), and are therefore entitled to vote at the Annual Meeting. The Proxy Statement, along with a proxy card and a voting instruction card, is being mailed to shareholders on or about April 30, 2010. We have also made these materials available to you 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 our 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 or voting instruction 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 at held on Thursday, June 3, 2010, 10:00 a.m. (central time), at the Four Seasons Hotel, 1300 Lamar Street, Houston, Texas 77010.

Who is soliciting my proxy?

Our 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 voting instruction 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? How does the Board recommend that I cast my vote?

At the Annual Meeting, our shareholders will be asked to: (1) fix the number of directors from five (5) to six (6) members; (2) elect six (6) members to the Board to serve until our annual meeting of shareholders in 2011 or until their successors are elected and qualified; (3) ratify the Audit Committee s appointment of BDO Seidman, LLP, as our independent registered public accounting firm for the year ending December 31, 2010; and (4) transact any such other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof.

The Board unanimously recommends that you vote:

FOR fixing the Board from five (5) to six (6) members;

FOR each of the six (6) nominees for directors to serve until our annual meeting of shareholders in 2011 and until their successors are elected and qualified;

FOR the approval and ratification, by ordinary resolution, an amendment to our Bylaws which now requires that the positions of Chairman and Chief Executive Officer be held by separate individuals; and

FOR the ratification of the Audit Committee s appointment of BDO Seidman, LLP, as our independent registered public accounting firm for the year ending December 31, 2010.

We do not expect any matters to be presented for action at the Annual Meeting other than the items described in this Proxy Statement. By signing and returning the enclosed proxy, however, you will give to the persons named as proxies discretionary voting authority with respect to any other matter that may properly come before the Annual Meeting, and they 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 2009 and respond to your questions.

How many votes may I cast?

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

How many votes can be cast by all shareholders?

As of the Record Date, there were 50,407,642 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.

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 of a holder or holders of not less than 5% of the total outstanding common shares entitled to vote at the Annual Meeting, either present in person or represented by proxy. Abstentions and broker non-votes will be counted for the purpose of determining the presence of a quorum. A broker non-vote occurs if a broker or other nominee of shares does not have discretionary authority and has not received voting instructions with respect to a particular matter.

What are the voting requirements to elect the directors and to approve each of the proposals discussed in this Proxy Statement?

Proposal	Vote Required
To fix the Board from five (5) to 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 2011 or until their successors are qualified and elected.	The six (6) directors who receive the greatest to serve number of votes in person or represented by proxy at the meeting and entitled to vote.
To amend the Bylaws to explicitly separate the positions of Chief Executive Officer and Chairman of the Board so as to prohibit any one person from holding both positions concurrently.	A majority of votes cast, in person or by proxy.
To ratify the Audit Committee s appointment of BDO Seidman, LLP, as our independent registered public accounting firm for the year ending December 31, 2010.	A majority of votes cast, in person or by proxy.

With respect to the election of directors, votes may be cast in favor of or withheld from the election of each nominee. Votes that are withheld from a director s election will be counted toward a quorum, but will not affect the outcome of the vote on the election of a director. Abstentions and broker non-votes will have no effect on the outcome of the election of directors, assuming a quorum is present or represented by proxy at the Annual Meeting. With respect to all other matters, abstentions and broker non-votes are not considered to be votes cast and therefore will have no effect on such matters.

How do I vote my common shares?

If you own your common shares as of the Record Date, you may vote by submitting your proxy by mail, by the Internet or in person at the Annual Meeting.

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

To vote by the Internet. Go the following Internet address: http://www.proxyvote.com. 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 2, 2010. Have your proxy card available, and follow the instructions to obtain your records and create an electronic ballot.

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

Yes. You can change your vote and revoke your proxy at any time before the polls close at the Annual Meeting by doing any one of the following things:

- 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 on the day of the Annual Meeting;
- Voting in person at the Annual Meeting; and
- In any other manner permitted by law

Your attendance at the Annual Meeting alone will not revoke your proxy.

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

If your common shares are held in a stock brokerage account or by a 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 or 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 bank or brokerage firm provides you.

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

The Board does not know of any other matters that may come before the Annual Meeting. If any other matter properly comes before the Annual Meeting, the persons named in the proxy card that accompanies this Proxy Statement, whether you submit your proxy in person 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. Please read 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 any additional information furnished to shareholders. Our directors, officers and regular employees may solicit proxies by telephone, e-mail and personal interviews without additional remuneration for these services. 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. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of our common shares that they hold in their names. We will reimburse banks and brokers for their reasonable out-of-pocket expenses incurred in connection with the distribution of our proxy materials.

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

The Board currently is composed of five members: J. Russell Porter, John R. Rooney (Chairman), Robert D. Penner and John M. Selser, each of whom was elected as a director at our 2009 annual meeting of shareholders, and Randolph C. Coley, who was appointed to the Board in January 2010. The Nomination Committee has nominated Messrs. Porter, Rooney, Penner and Selser to stand for re-election and Mr. Coley to stand for election at the Annual Meeting. The Nomination Committee has also named Floyd R. Price as an additional director to stand for election at the Annual Meeting. Biographical information about each director nominee can be found beginning on page 36 in connection with Proposal 2. Election of Directors .

Biographical information about our executive officers and other member of our management as of April 14, 2010 is set forth below.

Name	Age	Position
J. Russell Porter (1)	48	President and Chief Executive Officer
Michael A. Gerlich (1)	55	Vice President and Chief Financial Officer
Frederick E. Beck, PhD	50	Vice President of Drilling
Keith R. Blair	55	Vice President/Exploration Manager
Henry J. Hansen	54	Vice President of Land
R. David Rhodes	51	Vice President of Completion and Production
Sara-Lane Ruzicki	41	General Corporate Canadian Counsel and Corporate Secretary

(1) Messrs. Porter and Gerlich are our only executive officers and are referred to in this Proxy Statement as our Named Executive Officers .

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J. Russell Porter has been a member of the Board and has served as our President and Chief Executive Officer since February 2004. Mr. Porter has an energy focused background, with approximately 19 years of natural gas and oil exploration and production experience and five years of banking and investment experience specializing in the energy sector. From April 1994 to September 2000, Mr. Porter served as an executive vice President of Forcenergy, Inc., a publicly traded exploration and production company, where he was responsible for the acquisition and financing of the majority of its assets across the United States and Australia. He currently is a director of Caza Oil & Gas, Inc., a publicly traded exploration and development company listed on the Toronto Stock Exchange and the London AIM exchange. He also is a member of the Board of Directors of Stallion Oilfield Holdings, Inc., a private Delaware corporation that owns Stallion Oilfield Services, a private oilfield service company. Mr. Porter holds a Bachelor of Science degree in Petroleum Land Management from Louisiana State University and a MBA from the Kenan-Flagler School of Business at the University of North Carolina at Chapel Hill.

Michael A. Gerlich joined us in May 2005 as Vice President and Chief Financial Officer. Mr. Gerlich has over 30 years of natural gas and oil accounting and finance experience. From 1999 until joining us, 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 the 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, 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 a Big Four accounting firm, 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.

Frederick E. Beck, PhD joined us in April 2002 as Vice President of Drilling. Dr. Beck has over 27 years of diversified experience in the natural gas and oil business. In addition to his activities with us, he also serves as an associate professor of petroleum engineering at Texas A&M University, where he teaches courses in drilling engineering. He also has held positions as a drilling engineer and drilling supervisor for a major operator and was an assistant professor of petroleum engineering at the New Mexico School of Mines. From 1996 prior to joining us, Dr. Beck was Vice President of the turnkey drilling division of Nabors Drilling USA LP, a domestic natural gas and oil drilling company. Dr. Beck holds a Bachelor of Science degree in Geology, Master of Science degree in Petroleum Engineering and Doctor of Philosophy Degree in Petroleum Engineering, all from Louisiana State University in Baton Rouge, Louisiana.

Keith R. Blair joined us in August 2005 as a Senior Staff Geologist. He was promoted to Vice President, Exploration Manager in 2008. Mr. Blair has over 30 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, he was a Senior Geophysicist at Schlumberger Limited. Prior to 1995, he held an Exploration Manager/Supervisor position at Conoco Phillips 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 30 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. He returned to El Paso Corporation in June 2004, where he was 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.

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R. David Rhodes joined us in March 2006 as Vice President of Completion and Production. Mr. Rhodes has over 27 years of petroleum engineering experience, focused primarily in the supervision and management of completion and production operations. Prior to joining us in 2006, he managed Oil & Gas Operations and Consulting, Inc., an independent consulting firm he established in May 2001, where he worked as a petroleum engineering consultant for numerous natural gas and oil operators including us. Mr. Rhodes continues to maintain his relationship with Oil & Gas Operations and Consulting, Inc. From 1981 to 2001, Mr. Rhodes held various engineering and management/supervisory positions at Getty Oil Company and Marathon Oil Company (formerly Texas Oil & Gas Company), major integrated natural gas and oil companies. His last position was Operations Manager for East Texas and Northern Louisiana. Mr. Rhodes holds a Bachelor of Science degree in Petroleum Engineering from Louisiana Tech University.

Sara-Lane Ruzicki, LLB has served as an attorney in private practice since April 2001 and has served as our Corporate Secretary and General Corporate Canadian Counsel since May 2000 on a contract basis. From July 1993 to April 2001, she served as an attorney at the law firm of Armstrong Perkins Hudson LLP (formerly Ogilvie and Company) in Calgary, Alberta, Canada, becoming a partner in 1999. Specializing in corporate/securities law, she has acted for issuers in all industry segments in Canada, the United States and internationally, focusing on corporate reorganizations, commercial transactions and initial public offerings of junior emerging companies as well as equity and debt financings, mergers and acquisitions and commercial transactions of senior established companies. Ms. Ruzicki obtained her Bachelor of Laws degree at the University of Saskatchewan.

There are no family relationships between our Named Executive Officers, those members of management noted above, and our directors.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Cease Trade Orders

Except as disclosed below, to the knowledge of our management, none of our director nominees is, or within the 10 years before the date of this Proxy Statement has been a director, chief executive officer or chief financial officer of any company (including us) that:

(a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under securities legislation that lasted for a period of more than 30 consecutive days that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that lasted for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Penner currently serves as a director of Storm Cat Energy Corporation (Storm Cat), a position he has held since January 2005. In November 2008, the U.S. subsidiaries of Storm Cat filed for a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code, and Storm Cat was subsequently delisted from the Toronto Stock Exchange and the NYSE Amex LLC (the NYSE Amex), formerly the American Stock Exchange, Inc., which delistings remain in effect as of the date hereof. In April 2009, pursuant to an order of the Ontario Securities Commission, the securities of Storm Cat were cease traded for a failure to file audited annual financial statements, management s discussion and analysis, and an annual information form, all for the year ended December 31, 2008, and such order remains in effect as of the date hereof.

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Bankruptcies

Except as disclosed above under the subheading Cease Trade Orders , to the knowledge of our management, none of our director nominees:

(a) is, at the date of this Proxy Statement or has been within the 10 years before the date of this Proxy Statement, a director or executive officer of any company (including us) that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of this Proxy Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director nominee.

Penalties or Sanctions

To the knowledge of our management, none of our director nominees:

(a) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with the securities regulatory authority; or

(b) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a director nominee.

CORPORATE GOVERNANCE

Information about the Board

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the CSA) have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as us. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* (NI 58-101), which prescribes certain disclosure by us of our corporate governance practices.

This section sets out our approach to corporate governance and addresses our compliance with NI 58-101 and the applicable rules and regulations of the NYSE Amex.

Mandate of the Board

The Board is responsible for managing our business affairs. The primary responsibility of the Board is to promote our best interests and the best interests of our shareholders. This responsibility includes: (i) approving annual capital expenditure budgets and general and administrative expense budgets and reviewing fundamental operating, financial and other corporate plans, strategies and objectives; (ii) outlining key operating parameters including debt levels and ratios; (iii) evaluating our performance and the performance of our senior management; (iv) determining, evaluating and fixing the compensation of executive officers; (v) adopting policies of corporate governance and conduct; (vi) considering risk management matters; (vii) reviewing the process of providing appropriate financial and operational information to shareholders and the public generally; and (viii) evaluating the overall effectiveness of the Board. The Board explicitly acknowledges its responsibility for our stewardship. The Board reviews with management matters of strategic planning, business risk identification, succession planning, communications policy and integrity of internal control and management information systems. The Board fulfills its responsibilities through regular and special meetings.

Current Members of the Board

The Board currently is comprised of five members whose names and committee memberships are set forth below. The Board has determined that the members of the Board, with the exception of Mr. Porter, have no material relationship with us (either directly or as partners, shareholders or officers of an organization that has a relationship with us) and are independent within the meaning of the rules and regulations of the NYSE Amex and NI 58-101 director independence standards. Mr. Porter, as our President and Chief Executive Officer, is not considered to be independent. Further, the Board has determined that each of the members of the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and the Reserves Committee has no material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us) and is independent within the meaning of the rules and regulations of the NYSE Amex and the NI 58-101 director independence standards.

Name	Audit Committee	Remuneration Committee	Reserve Committee	Corporate Governance Committee	Nomination Committee
J. Russell Porter, Director, President and Chief Executive Officer					
Randolph C. Coley, Director (1)	X	X	X	X	X
Robert D. Penner, Director	Chairman	Chairman	X	X	X
John M. Selser, Director	X	X	Chairman	X	Chairman
John R. Rooney, Director	X	X	X	Chairman	X

(1) Mr. Coley was appointed to the Board in January 2010 and was subsequently appointed to the committees indicated above.

Board and Committee Meetings

The Board meets a minimum of four times per year. In addition, the Board meets at such other times as may be required if it is not possible to deal with our business at a regularly scheduled quarterly meeting.

The Board facilitates its independent supervision over management in a number of ways, including by holding regular meetings at which members of management and non-independent directors are not in attendance and by retaining independent consultants where it deems necessary.

For the year ended December 31, 2009, each member of the Board and each director that was a member of a committee attended at least 85% of all meetings held by the Board and each committee of which he was a member at the time of the meeting. The following chart discloses the number of Board and Committee meetings held during 2009 and the attendance of each director.

Director	Board Meetings	Audit Committee	Remuneration Committee	Reserves Review Committee	Corporate Governance Committee	Nomination Committee (1)
J. Russell Porter	10 of 10	n/a	n/a	n/a	n/a	n/a
Robert D. Penner	9 of 9	4 of 4	3 of 3	1 of 1	1 of 1	n/a
John M. Selser	9 of 9	4 of 4	3 of 3	1 of 1	1 of 1	n/a
John R. Rooney (2)	6 of 7	2 of 2	2 of 2	n/a	n/a	n/a

(1) The Nomination Committee did not meet during 2009.
(2) Mr. Rooney was elected to the Board at the annual meeting of shareholders held in June 2009.

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Board Composition and Leadership Structure

Mr. Rooney serves as our Chairman of the Board, and Mr. Porter serves as our President and Chief Executive Officer and also is a director. We separated the positions of Chairman of the Board and Chief Executive Officer in January 2010, and we named Mr. Rooney as Chairman. In connection with our entry into an agreement with Palo Alto Investors, LLC relating to certain corporate governance matters (as discussed in more detail under the heading Certain Relationships and Related Transactions on page 32 of this Proxy Statement), our Board determined that the separation of these roles would maximize management s efficiency and further our ongoing efforts to strengthen corporate governance and assure shareholder representation and the independent, objective and effective oversight of management. Separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while allowing the Chairman to lead the Board in its fundamental role of providing guidance to and oversight of management. On January 11, 2010, our Board approved amendments to our Bylaws and corporate governance guidelines have been amended to require this separation, as the Board believes that having separate positions for the Chairman of the Board and for the President and Chief Executive Officer is the appropriate leadership structure for us at this time. Our Board, however, periodically reviews its leadership structure and may make changes in the future as it deems appropriate and in the best interests of the Company and our shareholders. If our shareholders approve the related proposal to amend the Bylaws included in this Proxy Statement, the amendment will become effective when it is filed with the Alberta Registrar of Corporations.

Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on our properties, business, operations and industry and on the responsibilities of directors. Board meetings may also include presentations by our management and employees to give the directors additional insight into our business. New directors are provided with access to our publicly filed documents, technical reports and internal financial information and given copies of all the minutes of Board and Committee meetings and corporate governance materials. Directors are encouraged to ask questions and communicate with management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in the legislation.

Nomination of Directors

The Board has delegated the responsibility of identifying new, director candidates to the Nomination Committee. The process and responsibility of the Nomination Committee is set forth on page 13 under the heading Nomination Committee .

Compensation

The Board has delegated the responsibility of determining compensation strategies and recommending the forms and amounts of compensation for directors, officers, consultants and employees to the Remuneration Committee. Please refer to the disclosure on page 12 under the heading Remuneration Committee .

Position Descriptions

The Board has developed written position descriptions of responsibilities for each of the Committees, which *inter alia,* provide guidance on providing effective Board and Committee leadership; overseeing all aspects of its direction and administration in fulfilling the respective terms of reference for the Board and the Committee; and overseeing the structure, composition, membership and activities delegated to the Board and Committees.

The roles and responsibilities of the Chief Executive Officer are established each year through discussion and recommendation by and among the Chief Executive Officer, the Remuneration Committee and the Board. The roles and responsibilities of the Chief Executive Officer are reviewed, discussed and further defined on an ongoing basis through meetings of the Board and the Committees of the Board.

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Board Evaluations/Assessments

We have established procedures and surveys for assessing and evaluating the performance of the Board. The surveys completed by each director are summarized and discussed by the Board as a whole with the objective of making changes to policies or procedures to address comments aimed at greater Board effectiveness.

Code of Ethics

We adopted a Code of Ethics for all employees, including our executive officers on December 15, 2005. A copy of our Code of Ethics is available on our Internet website at www.gastar.com. A copy of our Code of Ethics will be provided to any person without charge, upon request. Such requests should be directed to our Secretary at 1331 Lamar Street, Suite 1080, Houston, Texas 77010.

Communications with the Board

Shareholders or other interested parties may send communications to the Board by writing to our Secretary at 1331 Lamar Street, Suite 1080, Houston, Texas 77010. Our Secretary will forward to the directors all communications that, in her judgment, are appropriate for consideration by the directors. Comments or complaints relating to our accounting, internal accounting controls or auditing matters will also be referred to our Audit Committee. Our Audit Committee has procedures for (1) receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters and (2) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. The Whistleblower policies and procedures adopted by the Audit Committee are available on our Internet website at www.gastar.com.

Attendance at the Annual Meeting of Shareholders

We do not have a formal policy with regards to director attendance at the annual meetings of shareholders. In 2009, Mr. Porter was the only director that attended our annual meeting of shareholders.

INFORMATION ABOUT OUR COMMITTEES OF THE BOARD

Each of the following Committees of the Board has a Terms of Reference approved by the Board, which provide descriptions of the role of the Chairman of such Committee and the roles and responsibilities of the Committee as a whole. The Terms of Reference functions as a charter for the respective Committee. Each is available on our Internet website at www.gastar.com or in print upon request.

Audit Committee

Composition

The Audit Committee currently is comprised of Messrs. Penner (Chairman), Coley, Rooney and Selser, each of whom is independent under the rules of the NYSE Amex LLC and Section 10A (Audit Requirements) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Mr. Penner is designated as the audit committee financial expert , as that term is defined under SEC rules. He became a member of the Board effective July 16, 2007. Mr. Penner is a retired senior partner with KPMG LLP, whose career of advising public and private clients on tax and accounting matters has spanned almost 40 years.

In accordance with its Terms of Reference, the Audit Committee examines and reviews on behalf of the Board, internal financial controls, financial and accounting policies and practices, the form and content of financial reports and statements, and the work of the external auditors. The Audit Committee is responsible for hiring, overseeing and terminating the independent registered public accounting firm and determining the compensation of such accountants. The Chief Financial Officer attends the meetings of the Audit Committee by invitation.

Reliance on Certain Exemptions

At no time since the commencement of our most recently completed year have we relied on the exemptions in Section 2.4 (De Minimus Non-audit Services), Section 3.2 (Initial Public Offerings), Section 3.4 (Events Outside Control of Member), Section 3.50 (Death, Disability or Resignation of Audit Committee member) or Part 8 (Exemptions) of Canadian Multilateral Instrument 52-110 (MI 52-110).

Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of our most recently completed fiscal year have we relied on the exemption in Subsection 3.3(2) (Controlled Companies) or Section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances) of MI 52-110.

Reliance on Section 3.8

At no time since the commencement of our most recently completed fiscal year have we relied on Section 3.8 (Acquisition of Financial Literacy).

Audit Committee Oversight

At no time since the commencement of our most recently completed fiscal year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Audit Committee Charter

A copy of the Terms of Reference for the Audit Committee, which functions as its charter, is attached to this Proxy Statement as Appendix A and is available on our website at www.gastar.com.

Audit Committee Report

The Audit Committee assists the Board of Directors in overseeing matters relating to our accounting and financial reporting practices, the adequacy of its internal controls and the quality and integrity of its financial statements and is responsible for selecting and retaining the independent auditors. The Audit Committee s responsibilities are more fully described in its Terms of Reference. Our management is responsible for preparing our financial statements and the independent auditors are responsible for auditing those financial statements. The Audit Committee does not provide any expert or special assurance as to our financial statements or any professional certification as to the independent auditors work. The Audit Committee met four times during the year ended December 31, 2009.

In fulfilling its oversight responsibilities, the Audit Committee reviewed our audited financial statements as of and for the year ended December 31, 2009 and discussed them with management and BDO Seidman, LLP, our independent registered public accounting firm. The Audit Committee discussed and reviewed with BDO Seidman, LLP all matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board on Rule 3200T.

The Audit Committee has received the written disclosures and the letter from BDO Seidman, LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent consultants communications with the Audit Committee concerning independence and has discussed with BDO Seidman, LLP its independence from us and our management.

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Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that our audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2009.

GASTAR EXPLORATION LTD.

AUDIT COMMITTEE

/s/ Robert D. Penner, Chairman

/s/ Randolph C. Coley

/s/ John R. Rooney

/s/ John M. Selser

This report of the Audit Committee shall not be deemed soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporate by reference into a document filed under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act.

* * *

Remuneration Committee

The compensation committee of the Board, which we refer to as the Remuneration Committee, currently is comprised of Messrs. Penner (Chairman), Coley, Rooney and Selser. None of our executive officers serves as a member of a board of directors or compensation committee (or committee performing similar functions) of any other entity, one or more of whose executive officers serve on our Board or Remuneration Committee.

The aim of the Remuneration Committee is to award and compensate our officers and employees in a manner which provides incentives for the enhancement of shareholder value, for the successful implementation of our business plan and for continuous improvement in corporate and personal performance. The compensation program is based on a pay-for-performance philosophy and consists of three components: base salary, annual incentive (bonus) paid in cash and long-term equity based incentives.

The Remuneration Committee reviews and recommends the compensation philosophy and guidelines for us which include reviewing the compensation philosophy and guidelines for employees, including recommendation to the Board for its consideration and approval related to annual salary, incentive policies and programs, material new benefit programs and material changes to existing benefit programs.

The Remuneration Committee reviews on an annual basis the cash compensation, performance and overall compensation package for each executive officer. It then submits to the Board recommendations with respect to the base salary, bonus and participation in long-term incentive compensation arrangements for each executive officer. In conducting its review, the Remuneration Committee was satisfied that all recommendations complied with the Remuneration Committee s philosophy and guidelines. In 2008, the Remuneration Committee, at the request of the Board, retained an independent consulting firm to prepare a summary regarding current executive compensation environment practices in today s market. In determining 2009 annual incentive cash awards, the Remuneration Committee used compensation data provided by Equilar, Inc. (Equilar), a company that monitors executive and board compensation, equity grants and award policies and corporate compensation practices. For more information on the role of the Remuneration Committee and the use independent consulting firms and market data, see Executive Compensation below.

A copy of the Terms of Reference for the Remuneration Committee is available on our Internet website at www.gastar.com.

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Reserve Committee

The Reserve Committee currently is comprised of Messrs. Selser (Chairman), Coley, Penner and Rooney. Its responsibilities include:

- Reviewing our procedures for providing information to the independent qualified reserve evaluator;
- Participating annually in meetings with the independent qualified reserve evaluator to determine whether there are any restrictions that could affect the ability of the evaluator to report without reservation; and
- Reviewing our reserve data with management and the independent qualified reserve evaluator.

A copy of the Terms of Reference for the Reserve Committee is available on our Internet website at www.gastar.com.

Corporate Governance Committee

The Corporate Governance Committee currently is comprised of Messrs. Rooney (Chairman) Coley, Penner and Selser. It has the responsibility of monitoring our overall approach to corporate governance issues which include:

- Responding to governance recommendations or guidelines from various regulatory authorities;
- Ensuring that there are adequate policies and procedures in effect to allow us to meet all continuous disclosure requirements;
- Ensuring that adequate policies and procedures are in effect to identify and manage principal risks of our business; and
- Reviewing annually our strategic planning process.

A copy of the Terms of Reference for the Corporate Governance Committee is available on our Internet website at www.gastar.com.

Nomination Committee

The Nomination Committee currently is comprised of Messrs. Selser (Chairman), Coley, Penner and Rooney. The role of the Nomination Committee is to assist the Board in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of directors, having an understanding of our industry, stage of growth, the law and the highest standards of governance. The tasks and responsibilities of the Nomination Committee are defined in its Terms of Reference, which was approved by the Board. The Nomination Committee did not meet formally in 2009. The Board, as a whole, did discuss on several occasions and ultimately nominated John R. Rooney to stand for election as a director at the 2009 annual meeting of shareholders. Mr. Rooney was chosen as a director nominee because he brought valuable perspective and industry-specific business knowledge and managerial experience to the Board.

The Board currently does not have a policy relating to consideration of director nominees by our shareholders. The Board may consider such a policy in the future. At present, the Board believes that the Nomination Committee is in the best position to identify and evaluate director candidates. New candidates are identified by the Nomination Committee, whose responsibility is to develop, annually update and recommend to the Board for approval, a long-term plan for the composition of the Board that takes into consideration the following: (a) the independence of each director; (b) the competencies and skills the Board, as a whole, should possess; (c) the current strengths, skills and experience represented by each director, as well as each director s personality and other qualities as they affect dynamics of the Board; and (d) our strategic direction. Although we

do not have a policy regarding the consideration of diversity, in assessing a director nominee, the Board considers the individual s background, experience and competencies that the Board desires to have represented among its members. From time to time, the Nomination Committee has used a third party to assist it in identifying and evaluating potential director candidates. Most recently in 2009, the Nomination Committee engaged Preng & Associates, an executive search firm, to identify potential director nominees with strong technical and operational backgrounds.

A copy of the Terms of Reference for the Nomination Committee is available on our Internet website at www.gastar.com.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information regarding the compensation paid to J. Russell Porter, our President and Chief Executive Officer (CEO), and to Michael A. Gerlich, our Chief Financial Officer (CFO). These individuals are referred to as Named Executive Officers . Messrs. Porter and Gerlich are our only Named Executive Officers.

Compensation Philosophy and Objectives

Our executive compensation program is designed to provide compensation at a level necessary to retain talented and experienced executives and to motivate them to achieve both short-term and long-term corporate goals that enhance shareholder value. Consistent with this philosophy, following are the key objectives of our compensation programs.

Attract, Motivate and Retain Key Employees. Our executive compensation program is shaped by the competitive market for management talent in the independent natural gas and oil exploration and production industry. We believe our executive compensation should be comparable to that of the companies with which we compete for talent. Our goal is to provide compensation and benefits at levels that attract, motivate and retain superior executive talent for the long-term.

Shareholder Interest Alignment. One of the objectives of our executive compensation program is to ensure that an appropriate relationship exists between executive pay, our financial performance and the creation of shareholder value. We believe that linking executive compensation to corporate performance results in a better alignment of compensation with corporate goals and shareholder interests. Our compensation program aligns pay to performance by making a substantial portion of total executive compensation variable, or at-risk , through an annual bonus program based on our performance goals and the granting of long-term incentive equity awards, which have included restricted common shares and stock options. As performance goals are met, not met or exceeded, executives are rewarded commensurately.

Determination of Executive Compensation

Role of the Remuneration Committee. Executive compensation is the responsibility of the Remuneration Committee (the Committee). The Committee operates under a written charter, or Terms of Reference , adopted by the Board. Randolph C. Coley, Robert D. Penner, John R. Rooney and John M. Selser are members of the Board and the current members of the Committee. Mr. Penner is the current Committee Chairman. Each member of the Committee qualifies as an independent director under the NYSE Amex LLC listing standards and under the Exchange Act. A copy of the Committee s Terms of Reference is available to shareholders on our website at www.gastar.com.

The role of the Committee is to award and compensate our officers and employees in a manner that provides incentives for the enhancement of shareholder value, for the successful implementation of our business plan and for continuous improvement in corporate and personal performance. The compensation program is based on a pay-for-performance philosophy and consists of three components: base salary, annual incentive bonus and long-term equity-based incentive compensation.

Annually, the Committee reviews and recommends the compensation philosophy for executive management and makes a recommendation to the Board for its consideration and approval.

During 2009, the Committee reviewed the cash compensation, performance and overall compensation package for each Named Executive Officer. It then submitted to the Board recommendations with respect to the salary, bonus and participation in equity-based compensation arrangements for each Named Executive Officer. In conducting, the Committee was satisfied that all recommendations complied with the Committee s philosophy and guidelines.

Interaction between the Remuneration Committee and Management. Our CEO plays an important role in the executive compensation process and is closely involved in assessing the performance of our other Named Executive Officer and making recommendations to the Committee regarding base salary, bonus targets, performance goals established for the annual incentive plan, and weighting and equity compensation for this executive officer. His recommendations are based on an assessment of the Named Executive Officer s responsibilities and performance, our performance and the compensation that companies in our peer group pay their executives in comparable positions. Our CFO also plays an important role in our executive compensation process. He makes recommendations to the Committee regarding the structure of the annual cash bonus awards program and the target size of such awards. These recommendations are drawn from his previous work experience, informal discussions with CFOs and review of other companies publicly filed information of other similarly-sized natural gas and oil companies regarding their bonus programs.

Role of Consultant and Market Analysis. For 2009, the Committee utilized 2008 data previously supplied by Longnecker & Associates (L&A). L&A is an independent, Texas-based consulting firm that is experienced in executive compensation and has access to national compensation surveys. For the purposes of its report, L&A s engagement objectives included:

Review total direct compensation (base salary, annual incentives and long-term incentives) for the Named Executive Officers;

Assess the competitiveness of executive compensation as compared to our peer group and published survey companies in the natural gas and oil industry with capital assets and revenues comparable to our capital assets and revenue; and

Provide conclusions and recommendations for 2009 total direct compensation packages for our Named Executive Officers and directors.

Companies reviewed by L&A included:

Abraxas Petroleum Corporation

Approach Resources, Inc.

Bankers Petroleum

Brigham Exploration Company

Canadian Superior Energy, Inc.

Edge Petroleum Corporation

Falcon Oil & Gas Ltd.

Gasco Energy, Inc.

GeoMet, Inc.

TXCO Resources, Inc.

Warren Resources, Inc.

L&A also provided us with market compensation data from published survey sources utilizing companies that operate in the natural gas and oil industries. Specific surveys included:

Economic Research Institute, *2008 ERI Executive Compensation Assessor*;

Watson Wyatt, *2007/2008 Top Management Compensation Compensation Calculator*;

William Mercer, *2008 US Energy Compensation Survey*; and

Effective Compensation Solutions, Inc., *2007 Oil/Gas E&P Compensation Survey*.

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In late 2009, the Committee also used market analysis data obtained from Equilar. Equilar allowed the Committee access to its competitive data for a peer group of companies in the natural gas and oil industries with market capitalization and revenues similar to our own. For 2009 annual incentive cash awards, which were paid in 2010, Equilar developed a grouping of approximately 180 similar sized natural gas and oil companies and developed statistics with respect to the groups CEO and CFO base salary, annual incentive bonus and long-term equity-based incentive compensation. This data was then used to develop a smaller company list based on market capitalization and revenues. These statistics were used to judge reasonableness of the annual incentive cash compensation received by our CEO and CFO for 2009. Companies included in this smaller company list were:

Callon Petroleum Co.

GMX Resources Inc.

Harvest Natural Resources Inc.

NGAS Resources, Inc.

Toreador Resources Corporation

Warren Resources Inc.

Based upon comparative pay information of our peer group and the published survey data referred to above, the Committee determined that the Named Executive Officers (a) 2009 base salaries were slightly above the market 75^{th} percentile, (b) 2009 total cash compensation (base salary, plus the annual cash incentive award), excluding one-time bonus awards related to the sale of our assets in Australia and retention, were below the market 50^{th} percentile, (c) 2009 long-term equity awards were below the market 75^{th} percentile, and (d) 2009 total direct compensation (total cash compensation, plus equity incentive awards) was below the market 75^{th} percentile. Based upon these findings, the Committee believes that the individual pay components and total direct compensation levels of the Named Executive Officers in 2009 was fair, reasonable and aligned with competitive pay practices of our peer group and the published survey data.

Though we review information regarding the compensation practices of our peer group of companies and the survey data just discussed, individual compensation decisions for our Named Executive Officers are subject to upward or downward adjustment, based on the recommendations of our CEO and a number of factors related to both corporate and individual performance. We use the data regarding the pay practices of companies in our peer group as a reference point and as a guide to competitiveness and reasonableness, but we do not adhere to rigid targets based upon the compensation components of employees at companies within that group. Our objective is to maintain total direct compensation, consisting of base salary, performance-based cash compensation and equity awards, in proximity to a median range of our peer group. However, the Committee has the discretion to adjust an award upward to account for individual achievement in the last fiscal year, the requirements of a particular position, and market competitiveness for a particular individual s skills and services, among other factors.

Compensation for our Named Executive Officers and Rationale

Base Salary. Base salary represents the fixed element of the Named Executive Officers cash compensation. The base salary reflects results of individual negotiations, economic consideration for each individual s level of responsibility, expertise, skills, knowledge, experience and performance and reasonable comparability of similar executive base salaries for executives employed by our peer group companies. Each of our Named Executive Officer s initial annual salary was set in his respective employment agreement but may be adjusted upward or downward at the discretion of the Committee on the anniversary date of each officer s employment.

Mr. Porter s base salary was originally set at $450,000 in his employment agreement dated February 24, 2005. The Committee increased Mr. Porters base salary to $500,000, effective in September 2009, in recognition of his continued high level of performance and due to us no longer being responsible for Mr. Porter s Houston living accommodations or travel cost to his previous residence in Miami, Florida. Mr. Gerlich s base salary originally was set at $275,000 in his employment agreement, dated May 17, 2005. The Committee increased

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Mr. Gerlich s base salary to $300,000, effective as of April 1, 2008, in recognition of his continued high level of performance. Mr. Gerlich s base salary was not adjusted in 2009 and continues at $300,000. Each of Messrs. Porter s and Gerlich s 2009 base salaries slightly exceeded the 75th percentile of peer group companies based on the Equilar information. The Committee believes that the increased salary levels are appropriate considering the multiple roles that both executives perform their positions.

Annual Cash Incentive Awards. Our annual cash incentive awards reflect our philosophy to reward performance. These awards provide our Named Executive Officers with an opportunity to earn an annual cash bonus based on pre-established operational and financial performance targets and an evaluation of individual performance. At the beginning of 2009, the Committee approved a $900,000 total target cash bonus pool, which was based on the sum of all our employee s target bonus opportunity expressed as a percentage of the employee s base salary. For 2008 and 2009, the targeted bonus percentages of our CEO and CFO were 50% and 35%, respectively. When combined with base salaries, these target amounts approximated the 50th percentile range of total cash compensation (base salary plus annual incentive awards) for similar executives with other peer group companies. The bonus pool is accrued throughout the year, and bonuses are paid out early in the following year. The bonus pool is capped at the lesser of twice the target cash bonus pool total or 10% of earnings before interest, taxes and depreciation and amortization.

At the beginning of the year and as part of our budgeting process, specific operational and financial target criteria are established by the Committee. In developing the appropriate target criteria and their respective weightings, the Committee analyzes the relative importance of each of the target criteria to our business strategy for the upcoming year. Each criterion is given a certain weighting, with a majority of the 2009 weighting allocated to operational factors. During the year, operational and financial performance is measured against the criteria. Judgments that the criteria are being met or not being met may lead to an increase in the pool and an adjustment in the bonus accrual. Criteria and weightings used in 2009 were as follows:

Goal	Threshold	Target	Maximum	Actual	Weighting
Target average annual production (MMcfed)	24.9	28.5	32.1	25.5	15%
Target proved reserve additions (Bcf)	13.1	15.4	17.7	*	10%
Texas average finding costs ($/Mcfe)	$ 3.30	$ 3.00	$ 2.70	$ 3.50	20%
Texas average controllable lifting costs ($/Mcfe)	$ 0.44	$ 0.40	$ 0.36	$ 0.36	10%
Average cash G&A expense ($/Mcfe)	$ 0.89	$ 0.81	$ 0.73	$ 1.30	5%
Operating cash flow ($ in millions)	$ 23.0	$ 26.7	$ 35.0	$ 16.0	15%
Financing activities	$ 50.0	$ 55.0	$ 65.0	$ 65.5	25%

* Actual results reflected a reserve decline.

If threshold targets are not met with respect to a criterion, then the portion of the bonus allocable to that criterion is not paid. At the end of the year, an approved bonus pool is calculated based on the bonus pool criteria accomplishments. The amount of the calculated bonus pool is subject to adjustment and final approval by the Committee. In 2009, based on a weighted average of actual results compared to targets, the overall bonus pool target was adjusted to 44% of the original bonus target, or from $900,000 to 400,000.

Mr. Porter s 2009 annual target cash bonus was 50% of his annual base salary. Based on an achievement of 44% of target goals, Mr. Porter was entitled to receive 44% of his 50% target opportunity, or a total of approximately 22% of his base salary.

Mr. Gerlich s 2009 annual target cash bonus was 35% of his annual base salary. Based on our achievement of only 44% of our target goals, Mr. Gerlich was entitled to receive 44% of his 35% target opportunity, or a total of 15% of his base salary.

The Committee elected to adjust the amount of the payout for Messrs. Porter and Gerlich from 22% to 27% and Mr. Gerlich s from 15% to 20% of their base salaries, which resulted in actual bonuses of $135,000 and

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$60,000, respectively. The Committee believed the adjustments from actual target bonus percentages were warranted due to the successful efforts of Mr. Porter s development of our assets in East Texas and Appalachia Marcellus Shale. Mr. Gerlich s upward adjustment was due to his continuing efforts regarding the closing of the sale of our Australian assets. These bonuses we paid in cash in early April 2010.

Other Cash Bonus Award. In August 2009, Messrs. Porter and Gerlich received one time cash bonuses of $1,000,000 and $100,000, respectively. The Committee granted these one-time special bonuses as a result of the successful sale of our Australian assets and related retirement of our long-term debt. The bonus grants were based on a study and recommendation prepared by L&A and was consistent to bonuses earned at other companies related to such highly profitable asset sales.

An additional cash bonus was paid to Messrs. Porter and Gerlich in 2009 of $250,000 and $97,000, respectively, as a retention bonus for continuing their employment with us during 2008, which was a period of significant operational and financial instability for us and, in particular, the uncertainty surrounding the GeoStar litigation. These one time cash bonuses were earned and paid in February 2009.

Long Term Stock-based Compensation. We believe that stock-based compensation is the most effective means of linking compensation provided to our Named Executive Officers with long-term operational success and increases in shareholder value. The Board has discretionary authority to determine granting and vesting periods of stock option and restricted common share grants. We use these stock-based compensation as a long-term vehicle for compensation because we believe:

- Stock-based compensation aligns the interests of our Named Executive Officers with those of the shareholders by providing equity participation to our Named Executive Officers; and

- The vesting period incorporated into stock-based compensation fosters a longer-term perspective necessary for executive retention, stability and continuity.

Prior to the adopting of the 2006 Plan, the only vehicle that was available to us for long-term equity incentives was grants of stock options. After the adoption of the 2006 Plan, grants of restricted common shares became available as incentive vehicle. During 2007 and 2008, grants of restricted common shares to employees were used as long-term compensation to balance the types of equity incentives that employees had received to date. This change occurred in response to the Committee s judgment that to retain and attract qualified employees we needed a more definable deferred monetary incentive than was being provided by stock option grants alone. During 2009, the Committee used a combination of restricted common share grants and stock option grants as equity incentives. Typically, restricted common shares are granted to new hires at the time of employment and to all others, including our Named Executive Officers, in the first half of the year, as determined by the Committee. The Committee adheres to our policy of only granting stock-based compensation grants during open trading windows. The 2009 grants of restricted common shares vest in one-quarter increments on the first, second, third and fourth anniversaries of the grant. The 2009 grants of stock options have a life of 10 years and vest in one-quarter increments on the first, second, third and fourth anniversaries of the grant.

In 2009, Messrs. Porter and Gerlich received a restricted common share grants of 180,000 shares and 110,000 shares, respectively, and stock options grants to purchase 30,000 common shares and 20,000 common shares, respectively. These fair values of these grants calculated to be 150% and 143% of Messrs. Porter s and Gerlich s base salary, respectively. The goal of the Committee was to move more of the officer s total executive compensation to variable, or at-risk and thus better align the interest of the officer with the shareholders by providing the Named Executive Officers a greater stake in our long-term performance. Historically, Mr. Porter s and Mr. Gerlich s long term stock-based compensation awards have been placed materially below the 50th percentile of our peer group companies long term stock-based compensation, which target stock-based compensation to base pay percentages at 180% and 160%, respectively, for similar executives.

All Other Compensation. The Named Executive Officers are eligible to participate on a non-discriminatory basis in the same comprehensive benefits as are offered to all full-time employees. These benefits are provided so

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as to assure that we are able to maintain a competitive position in terms of attracting and retaining executive officers and other employees. During 2009, we paid or reimbursed Mr. Porter a total of $24,492 for Houston living accommodations and air travel to his place of residence in Miami, Florida. See Note 3 to Summary Compensation Table for details of payment of perquisites to Mr. Porter in 2009. Messrs. Gerlich received no payments in the form of other compensation. The Committee reviews all perquisites and personal benefits available to the Named Executive Officers at least annually. Additionally, Mr. Porter s employment agreement provides that we will pay or reimburse him up to $25,000 for his membership dues in clubs and/or organizations as are reasonable and customary for a senior executive officer and will reimburse him for the cost of a yearly executive physical examination and all required or recommended medical testing in connection with that yearly examination. Mr. Porter received no such payments or reimbursements during 2009.

Tax Deductions for Compensation

In conducting our executive compensation programs, the Committee considers the effects of Section 162(m) of the Internal Revenue Code (Section 162(m)), which denies publicly held companies a tax deduction for annual compensation in excess of $1.0 million paid to their chief executive officer or any of their four other most highly compensated corporate officers, other than the chief financial officer, who are employed on the last day of a given year, unless their compensation is based on performance criteria that are established by a compensation committee which is made up of outside directors and approved, as to their material terms, by our shareholders. While the Committee generally considers structuring and administering executive compensation plans and arrangements so that they will not be subject to the deduction limit under Section 162(m), the Committee may in the future approve payments that cannot be deducted in order to maintain flexibility in structuring appropriate compensation programs it feels to be appropriate.

Post Termination or Compensation and Benefits

On March 23, 2007, our Board approved a change of control severance plan, as amended February 15, 2008 (the Severance Plan), covering all employees, including the Named Executive Officers. The purpose of the severance plan is to promote stability and continuity of management and employees in the event a change of control transaction should occur (as defined below). Pursuant to the terms of our Severance Plan, our Named Executive Officers are entitled to receive certain post-termination compensation and benefits upon the occurrence of certain events. In order for the Named Executive Officers to receive payments under the Severance Plan, the Named Executive Officers would have to be terminated within two years of a change of control. See Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table and Potential Payments upon Termination or Change of Control below.

Hedging Prohibitions

Our insider trading policy prohibits our Named Executive Officers from engaging in any speculative transactions involving our common shares including buying or selling puts or calls, short sales or purchases of securities on margin or otherwise hedging the risk of ownership of our stock. Any such activity would require the approval and authorization of either the CEO or the Chairman of the Audit Committee (in the case of a transaction involving our CEO).

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Remuneration Committee Report

Board of Directors of Gastar Exploration Ltd.

The Remuneration Committee has reviewed and discussed the Compensation Discussion and Analysis with management and based on the review and discussions referred to above, the Remuneration Committee recommends to the Board of Directors that the Compensation Discussion and Analysis be included in the this proxy statement on Schedule 14A.

GASTAR EXPLORATION LTD.

REMUNERATION COMMITTEE

/s/ Robert D. Penner, Chairman

/s/ Randolph C. Coley

/s/ John R. Rooney

/s/ John M. Selser

The above Report of the Remuneration Committee of the Board of Directors does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other of our filings under the Securities Act or the Exchange Act, except to the extent we specifically incorporates this proxy statement by reference therein.

Summary Compensation and Awards

The following table and discussion below sets forth information about the compensation awarded to, earned by or paid to our Named Executive Officers during the years ended December 31, 2009, 2008 and 2007.

Summary Compensation Table for 2009

Name and Principal Position	Year	Base Salary (1)	Bonus (2)	Stock (3)(4)	Option Awards (3)	Non-Equity Incentive Plan Compensation (5)	All Other Compensation (6)	Total
J. Russell Porter	2009	$ 464,824	$ 1,250,000	$ 652,800	$ 45,000	$ 135,000	$ 24,492	$ 2,572,116
President and Chief	2008	$ 525,286	$	$ 774,749	$	$ 345,000	$ 36,576	$ 1,681,611
Executive Officer	2007	$ 450,000	$	$ 495,000	$	$ 117,000	$ 64,138	$ 1,126,138
Michael A. Gerlich	2009	$ 300,000	$ 197,000	$ 398,000	$ 30,000	$ 60,000	$	$ 985,000
Vice President and	2008	$ 301,827	$	$ 443,501	$	$ 157,000	$	$ 902,328
Chief Financial	2007	$ 275,000	$	$ 302,500	$	$ 145,000	$	$ 722,500

Officer

(1) The 2008 salary amounts for Messrs. Porter and Gerlich include $75,286 and $8,077, respectively, which they received as a buyout of carry-forward unused vacation days. The vacation buyout was a one-time election.

(2) Messrs. Porter and Gerlich received one time cash bonuses of $1,000,000 and $100,000, respectively, in August 2009 in consideration of each of their efforts in achieving the successful sale of our assets in Australia. Additionally, they received one time retention bonuses of $250,000 and $97,000, respectively, for remaining with us through 2008 and early 2009, which were earned and paid in February 2009.

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(3) The dollar values of restricted stock awards and stock option awards provided in these columns are equal to the aggregate grant date fair value of such grants awarded to Messrs. Porter and Gerlich during the years ended December 31, 2009, 2008 and 2007, prior to a deduction for estimated forfeitures related to service-based vesting conditions.
(4) Included in Mr. Porter s 2008 Stock Awards of $774,749 is a long-term stock-based award having a grant date fair value of $429,750 and a 2008 annual cash incentive award, which was paid in common shares in 2009 in lieu of cash having a grant date fair value of $345,000. Included in Mr. Gerlich s 2008 Stock Awards of $443,500 is a long-term stock-based award having a grant date fair value of $286,500 and a 2008 annual cash incentive award, which was paid in common shares in 2009 in lieu of cash having a grant date fair value of $157,000.
(5) Messrs. Porter and Gerlich received 2009 annual cash incentive awards of $135,000 and $60,000, respectively, which were paid in 2010.
(6) The breakdown of All Other Compensation and explanatory notes are as follows:

Name	Year	Apartment Rental (a)	Automobile Rental (b)	Office Rental (c)	Airfare (d)	Club Membership and Dues	Total
J. Russell Porter (e)	2009	$ 13,130	$	$	$ 11,362	$	$ 24,492
	2008	$ 18,026	$ 852	$	$ 13,038	$ 4,660	$ 36,576
	2007	$ 16,610	$ 13,569	$ 10,800	$ 18,821	$ 4,338	$ 64,138

(a) Represents the rental and related utility costs for an apartment in Houston, Texas for our CEO.
(b) Represents the costs related to the use of a rental car for our CEO while he was in Houston.
(c) Represents the rental and related utility costs for an office in Miami, Florida, our CEO s city of residence.
(d) Represents the costs of airfare between Houston and Miami, Florida.
(e) During 2009, our CEO established Houston, Texas as his city of residence.

The following table shows certain information about the number of stock options and restricted common shares granted to our Named Executive Officers during the year ended December 31, 2009.

Grants of Plan-Based Awards Table

For the Year Ended December 31, 2009

Name	Award Type	Grant Date	All Other Awards: Number of Security Underlying Grant	Exercise or Base Price of Option Awards (1)	Grant Date Value of Stock and Option Awards
J. Russell Porter	Stock option	03/19/09	30,000	$ 2.60	$ 45,000
	Stock	03/19/09(2)	132,692	$ 2.60	$ 345,000
	Restricted stock	03/19/09	15,000	$ 2.60	$ 39,000
	Restricted stock	09/04/09	165,000	$ 3.72	$ 613,800
Michael A. Gerlich	Stock option	03/19/09	20,000	$ 2.60	$ 30,000
	Stock	03/19/09(2)	60,385	$ 2.60	$ 157,000
	Restricted stock	03/19/09	10,000	$ 2.60	$ 26,000
	Restricted stock	09/04/09	100,000	$ 3.72	$ 372,000

(1) Based on the closing price per common share on the day prior to the date of grant.
(2) On March 19, 2009, Messrs. Porter and Gerlich received 132,692 and 60,385 common shares, respectively, in lieu of the 2008 cash bonuses. The cash value of these awards is reflected in 2008 compensation in the Non-Equity Incentive Plan Compensation column.

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Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

The following is a narrative of our various compensation plans and the general terms of each:

2006 Plan. At the annual meeting of shareholders held June 4, 2009, we shareholders approved amendments to our 2006 Long-Term Stock Incentive Plan that, effective as of April 1, 2009, merged our Stock Option Plan with and into the 2006 Long-Term Stock Incentive Plan so that all outstanding equity awards and all future equity awards to be made to employees, officers and directors would be under one plan the 2006 Plan .

Additionally, the approved amendments to the 2006 Plan (a) provide that the Remuneration Committee, in its discretion, may provide in an award agreement that an individual who is granted an award under the 2006 Plan (a participant) may elect to have common shares withheld from (or netted against) the total number of common shares otherwise issuable to such participant pursuant to his award in order to pay the exercise or purchase price of such award and/or to satisfy all employer tax withholding obligations with respect to the participant s award under the 2006 Plan, (b) clarify that common shares issuable under the 2006 Plan and forfeited back to the 2006 Plan will be deemed not to have been issued under the 2006 Plan and will again be available for the grant of an award under the 2006 Plan, (c) provide that common shares withheld from (or netted against) an award granted under the 2006 Plan for payment of (1) the exercise or purchase price of an award and (2) all applicable employer tax withholding obligations associated with an award will be deemed not to have been issued under the 2006 Plan and will again be available for the grant of an award under the 2006 Plan, (d) provide that the maximum number of common shares that may be subject to stock options, bonus stock awards, and stock appreciation rights granted to any one individual during any calendar year may not exceed 200,000 common shares (subject to adjustment pursuant to Section 11(a) of the 2006 Plan), and (e) provide that the definition of performance criteria in the 2006 Plan include a criteria relating to the growth of our proved natural gas and oil reserves.

Our 2006 Plan authorizes our Board to issue stock options, stock appreciation rights, bonus stock awards and any other type of award, which are consistent with the 2006 Plan s purposes to our directors, officers and employees and our subsidiaries covering a maximum of 6.0 million common shares. The contractual lives and vesting periods for grants are determined by the Board at the time a grant is awarded. Recent stock option grants have an expiration of ten years. Stock options granted prior to October 2005 have an expiration of five years. The vesting schedule for stock option grants has varied from two years to four years but generally has been over a four-year period vesting at 25% per year beginning on the first anniversary date of the grant. Stock options granted pursuant to the 2006 Plan have exercise prices determined by the Board, but an exercise price cannot be less than the market price on the date immediately prior to the date of grant as reported by any stock exchange on which our common shares are listed. The vesting period for recent restricted common stock grants have typically been over four years, with one-quarter vesting on the first, second, third and fourth anniversaries of the date of grant.

Employee Severance Plan. A change of control is defined in the severance plan to mean (1) the consummation of a merger, consolidation, reorganization or other transaction whereby our shareholders retain less than 50% control, directly or indirectly, of us or the surviving company, (2) our incumbent directors cease to constitute a majority of the Board or (3) a sale or other disposition of all or substantially all of our assets. The Severance Plan does not change the specific, non-change of control severance payments in place under the existing employment agreements with our Named Executive Officers but does provide change of control severance benefits to the Named Executive Officers only if they are greater than the severance benefits provided under the employment agreement. The Severance Plan does not allow for any duplication of severance benefits.

For the Named Executive Officers, the Severance Plan provides that if a Named Executive Officer s employment is terminated within two years following a change of control for any reason other than (i) death, (ii) disability, (iii) by us for cause or (iv) by the Named Executive Officer for other than a good reason, the Named Executive Officer will receive a lump-sum payment equal to a multiple that is equal to the applicable severance period, as set forth in the Severance Plan, times the sum of (1) his annual salary and (2) annual target bonus.

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The following summarizes the severance periods and target bonus percentages for the Named Executive Officers set forth in the Severance Plan:

	Severance Period In Years	Target Bonus Percentage
Chief Executive Officer	3.00	50%
Chief Financial Officer	2.50	35%

Additionally, during the applicable severance period, Named Executive Officers would receive reimbursement for the cost of COBRA continuation health care coverage, less the amount charged at the time of termination to the employee for medical coverage.

If the Named Executive Officer receives a payment or benefit that is subject to the golden parachute excise tax, the Named Executive Officer will receive an additional payment under the severance plan to make him or her whole for that excise tax and any taxes on the additional parachute tax gross-up payment.

If the individual s employment is terminated within six months prior to a change of control and it is reasonably shown to have been in connection with the change of control, then the change of control will be treated with respect to that employee as having occurred prior to his or her termination.

Employment Agreements. We entered into employment agreements with J. Russell Porter, our President and CEO, and Michael A. Gerlich, our CFO, effective February 24, 2005, and May 17, 2005, respectively, each amended July 25, 2008. The agreements with Messrs. Porter and Gerlich set forth, among other things, annual compensation, and adjustments thereto, minimum bonus payments, fringe benefits, termination and severance provisions. The agreements renew annually; however, they may be terminated at any time with or without cause.

Mr. Porter s employment agreement provides that he is entitled to an annual bonus in an amount that may take the form of cash compensation, the award of stock or stock options, royalty rights or otherwise and that he shall receive an annual cash bonus equal to at least 20% of his annual base salary. The employment agreement further provides that the bonuses shall reflect not only the results of our operations and business, but also his contribution as President and CEO.

Mr. Gerlich s employment agreement provides that the Committee may on a yearly basis, or more frequently, award Mr. Gerlich a discretionary bonus or bonuses based not only on the positive results of our operations and business, but Mr. Gerlich s contribution as CFO. Such bonuses may take the form of cash compensation, the award of common shares or stock options, royalty rights or otherwise.

Salary and Cash Bonus in Proportion to Total Compensation

The following table sets forth the percentage of each Named Executive Officer s total compensation that we paid in the form of base salary and cash bonus (excluding long-term incentive cash awards) for the year 2009.

	Base Salary and Cash Bonuses as a Percentage of Total Compensation
J. Russell Porter	67%
Michael A. Gerlich	51%

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Outstanding Equity Awards at Fiscal Year-End for 2009

The following table sets forth information about outstanding equity awards held by our Named Executive Officers at year-end 2009:

		Option Awards				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price (1)	Option Expiration Date	Number of Shares of Restricted Stock That Have Not Vested	Market Value of Shares of Restricted Stock That Have Not Vested (2)
J. Russell Porter (3)	04/05/06	22,500	7,500	$ 22.88	04/05/16		
	07/14/06	200,000		$ 11.60	07/14/16		
	03/19/09		30,000	$ 2.60	03/19/19		