GASTAR EXPLORATION LTD
Form 424B5
June 21, 2011
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Filed Pursuant to Rule 424(b)(5)
Registration Statement No. 333-174552

PROSPECTUS SUPPLEMENT

(To Prospectus dated June 8, 2011)

646,295 Shares

Gastar Exploration USA, Inc.

8.625% Series A Cumulative Preferred Securities

$23.25 Per Share

Liquidation Preference $25.00 Per Share

Guaranteed to the extent set forth herein by

Gastar Exploration Ltd.

We are offering 646,295 shares of our 8.625% Series A Cumulative Preferred Securities, par value $0.01 per share, which we refer to in this prospectus supplement as the Series A Preferred Securities. The offering of Series A Preferred Securities contemplated by this prospectus supplement is the first issuance of shares of this series by us. With respect to shares of Series A Preferred Securities issued pursuant to this prospectus supplement or any other shares of Series A Preferred Securities issued in June 2011, we anticipate setting the record date for a June 2011 partial dividend period on June 30, 2011, with such initial dividend payment to be made at the end of July 2011. Any other subsequently issued shares of Series A Preferred Securities will become entitled to dividends commencing on the first monthly record date following the date of issuance, and we anticipate setting record dates as of the fifteenth of every month with dividends to be paid at the end of the month to such holders of record. Dividends will be in the amount of $2.15625 per share each year, which is equivalent to 8.625% of the $25.00 liquidation preference per share. If the Series A Preferred Securities, however, is not listed on a National Exchange, as defined in this prospectus supplement, for a total of at least 180 consecutive days after the Series A Preferred Securities becomes eligible for listing on a National Exchange or if we fail to pay cash dividends on the outstanding Series A Preferred Securities in full for any monthly dividend period within a quarterly period for a total of four consecutive or non-consecutive quarterly periods and such dividends remain accumulated, accrued and unpaid, subject to our right to remedy these matters as described in this prospectus supplement, investors will be entitled to receive cumulative cash dividends at the increased rate of 10.625% per annum of the $25.00 liquidation preference per share (equivalent to $2.65625 per year per share) as outlined in this prospectus supplement.

The Series A Preferred Securities will be subordinated to all of our existing and future debt and all future capital stock designated as senior to the Series A Preferred Securities. Our parent, Gastar Exploration Ltd., will fully and unconditionally guarantee the payment of dividends that have been declared by the board of directors of Gastar Exploration USA, Inc., amounts payable upon redemption or liquidation, dissolution or winding up, and any other amounts due with respect to the Series A Preferred Securities, to the extent described in this prospectus supplement. Gastar Exploration Ltd. s obligations with respect to the guarantee will be effectively subordinated to all of its existing and future debt. Gastar Exploration Ltd. s guarantee of the Series A Preferred Securities is further described in this prospectus supplement under Description of Guarantee of Preferred Securities.

Investors in the Series A Preferred Securities generally will have no voting rights other than with respect to the authorization or creation of shares ranking senior to the Series A Preferred Securities, matters directly impacting the rights of the holders and for certain share exchanges and other acquisitions. However, holders will have limited voting rights if the Series A Preferred Securities are not listed on a National Exchange for at least 180 consecutive days after the shares first become eligible for listing or if we fail to make a monthly dividend payment on the outstanding Series A Preferred Securities during a quarterly period for four or more consecutive or non-consecutive quarters, and under certain other circumstances. The voting rights of investors in the Series A Preferred Securities are further described in this prospectus supplement under Description of Series A Preferred Securities Voting Rights.

We may not redeem the Series A Preferred Securities before June 23, 2014, except as described below. On or after June 23, 2014, we may, at our option, redeem the Series A Preferred Securities, in whole or in part, by paying $25.00 per share, plus any accrued and unpaid dividends to the redemption date. If at any time a Change of Ownership or Control, as defined in this prospectus supplement, occurs, we (or the acquiring company) will have the option to redeem the Series A Preferred Securities, in whole but not in part, within 90 days after the date on which the Change of Ownership or Control has occurred at specified redemption amounts as described in this prospectus supplement. The Series A Preferred Securities have no stated maturity, will not be subject to any sinking fund or other mandatory redemption, and will not be convertible into any of our other securities.

The underwriter is selling shares of the Series A Preferred Securities offered in this prospectus supplement on a best efforts basis and is not required to sell any specific number or dollar amount of the securities offered by this prospectus supplement, but will use its best efforts to sell such securities. The underwriter will receive a commission with respect to such sales. There is no arrangement for funds to be received in escrow, trust or similar arrangement. For additional information regarding our arrangement with the underwriter and underwriting compensation, please see Underwriting beginning on page S-44 of this prospectus supplement.

There is currently no public market for the Series A Preferred Securities. Subject to issuance, we anticipate that our shares of Series A Preferred Securities will be approved for listing on the NYSE Amex under the symbol GST.PR.A.

Investing in the Series A Preferred Securities involves a high degree of risk. You should carefully consider the risks relating to an investment in the Series A Preferred Securities and each of the other risk factors described under Risk Factors beginning on page S-13 of this prospectus supplement, on page 2 of the accompanying prospectus and in our reports filed with the Securities and Exchange Commission, which are incorporated by reference herein, before you make an investment in our securities.

	Per Share	Total
Public Offering Price	$ 23.25	$ 15,026,359
Underwriting Commissions	$ 1.16	$ 751,318
Proceeds, Before Expenses, to Us	$ 22.09	$ 14,275,041

We expect that the Series A Preferred Securities will be ready for delivery in book-entry form through The Depository Trust Company on or about June 23, 2011.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Book Running Manager

The date of this prospectus supplement is June 21, 2011.

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This prospectus supplement and the accompanying prospectus, including the exhibits and the documents incorporated herein by reference, can be accessed on the Securities and Exchange Commission s (SEC) website or at the SEC s offices identified in Where You Can Find More Information.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts the first part is this prospectus supplement, which describes the specific terms of this offering of Series A Preferred Securities, and the second part is the accompanying prospectus, which provides more general information about us and the securities registered thereunder, some of which may not apply to this offering. This document also includes those documents and other information incorporated by reference in this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus are part of a shelf registration statement on Form S-3 (Registration No. 333-174552) that we filed with the SEC on May 27, 2011 as part of a shelf registration process. Under the shelf registration process, we may offer to sell preferred securities of Gastar Exploration USA, Inc. from time to time, in one or more offerings, up to $200,000,000 in total aggregate offering price. Generally, when we refer to this prospectus supplement, we are referring to both parts of this document combined, including all documents and other information incorporated by referenced herein.

This prospectus supplement, the accompanying prospectus, and any free writing prospectus that we have authorized to be distributed to you in connection with this offering, and the documents and other information incorporated by reference herein and therein, include important information about us, the Series A Preferred Securities being offered hereby and other information you should know before investing in our securities. This prospectus supplement may supplement, update or change information contained in the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with statements made in the accompanying prospectus or any documents incorporated by reference therein, the statements made in this prospectus supplement will be deemed to modify or supersede those made in the accompanying prospectus and such documents incorporated by reference therein. We urge you to carefully read this prospectus supplement, including the Risk Factors, the accompanying prospectus, any free writing prospectus that we authorize to be distributed to you, the information incorporated by reference herein and therein (including the documents described in Where You Can Find More Information in both this prospectus supplement and the accompanying prospectus), and any additional information you may need to make your investment decision, before buying any of the securities being offered under this prospectus supplement.

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus, and any free writing prospectus we have authorized to be distributed to you in connection with this offering. We have not, and the underwriter has not, authorized anyone to provide you with any other information. You should not rely on any unauthorized information or representation. You should assume that the information in this prospectus supplement, the accompanying prospectus and any free writing prospectus authorized to be distributed by us is accurate only as of the date on the front cover of the applicable document and that any information incorporated by reference in such documents is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus, any free writing prospectus or any sale of a security. Our business, assets, financial condition, results of operations and prospects may have changed since such dates.

This prospectus supplement is an offer to sell only the securities offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. We are not making any representation to you regarding the legality of an investment in Series A Preferred Securities and the guarantee by you under applicable law. You should consult with your own legal advisors as to the legal, tax, business, financial and related aspects of a purchase of the Series A Preferred Securities and the guarantee.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements give our current expectations or forecasts of future events. These statements can be identified by the use of forward-looking words, including may, expect, anticipate, plan, project, believe, estimate, intend, will, should or other simila forward-looking statements are based on current expectations and beliefs concerning future developments and their potential effect on us. Forward-looking statements may include statements that relate to, among other things, our:

- Financial position;
- Business strategy and budgets;
- Anticipated capital expenditures;
- Drilling of wells;
- Natural gas and oil reserves;
- Timing and amount of future production of natural gas and oil;
- Operating costs and other expenses;
- Cash flow and anticipated liquidity;
- Prospect development; and
- Property acquisitions and sales.

Although we believe the expectations reflected in such forward-looking statements are reasonable, we cannot assure you that such expectations will occur. These forward-looking statements involve known and unknown risks, uncertainties and other factors (some of which are beyond our control) that may cause our actual results, performance or achievements to be materially different from our historical experience and present expectations or projections, or actual future results expressed or implied by the forward-looking statements. These factors include, but are not limited to, among others:

- Low and/or declining prices for natural gas and oil;
- Demand for natural gas and oil;

Natural gas and oil price volatility;

The risks associated with exploration, including cost overruns and the drilling of non-economic wells or dry holes;

Ability to raise capital to fund capital expenditures or repay or refinance debt upon maturity;

Ability to find, acquire, market, develop and produce new natural gas and oil properties;

Uncertainties in the estimation of proved reserves and in the projection of future rates of production and timing of development expenditures;

Operating hazards attendant to the natural gas and oil business;

Down hole drilling and completion risks that are generally not recoverable from third parties or insurance;

Potential mechanical failure or under-performance of significant wells or pipeline mishaps;

Adverse weather conditions;

Competition in the oil and gas exploration and production industry for materials, equipment and services, such as drilling rigs, fracture stimulation services and tubulars, well servicing equipment, gathering systems and transportation pipelines, and, relatedly, the availability and cost of materials, equipment and services;

The number of well locations to be drilled and the time frame in which they will be drilled;

Delays in anticipated start-up dates;

Actions or inactions of third-party operators of our properties;

Ability to find and retain skilled personnel;

Strength and financial resources of competitors;

Potential defects in title to our properties;

Federal and state regulatory developments and approvals;

Losses possible from pending or future litigation;

Environmental risks; and

Worldwide political and economic conditions.

You should not unduly rely on the forward-looking statements contained or incorporated by reference in this prospectus supplement and the accompanying prospectus as they speak only as of the date of this prospectus supplement or the accompanying prospectus or the date of the document incorporated by reference herein and therein. Please see Risk Factors in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein for some of the important factors that could affect our financial performance or could cause actual results to differ materially from estimates contained in forward-looking statements.

Except as required by law, we undertake no obligation to update, revise or release any revisions to any forward-looking statement to reflect events or circumstances occurring after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights certain information about us, this offering, the Series A Preferred Securities, the guarantee and other information appearing elsewhere in this prospectus supplement, in the accompanying prospectus and in the documents we incorporate by reference. This summary is not complete and does not contain all of the information that you should consider before investing in our securities. To fully understand this offering and its consequences to you, you should carefully read this entire prospectus supplement, the accompanying prospectus and any free writing prospectus distributed by us, including the information contained under Risk Factors in this prospectus supplement beginning on page S-13 and the financial statements and other information incorporated by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision.

All dollar amounts appearing in this prospectus supplement are stated in U.S. dollars and all financial data included in this prospectus supplement has been prepared in accordance with generally accepted accounting principles in the United States (GAAP). Unless otherwise stated or the context otherwise requires, all references in this prospectus supplement to Gastar USA refer solely to Gastar Exploration USA, Inc., the issuer of the Series A Preferred Securities, and all references to the Parent refer solely to Gastar Exploration Ltd., the owner of all of the shares of common stock of Gastar USA and the guarantor of Gastar USA s obligations under the Series A Preferred Securities offered hereby. All references in this prospectus supplement to the Gastar entities, we, us, and our or similar references refer to Gastar Exploration Ltd. and its wholly-owned subsidiaries, including Gastar USA, unless otherwise stated or the context otherwise requires.

The estimates of our proved reserves as of December 31, 2010 included in this prospectus are based on the reserve report dated January 24, 2011 (the NSAI Report) of Netherland, Sewell & Associates, Inc., independent petroleum engineers (NSAI), using SEC pricing based on the average price as of the first day of each of the twelve months ended December 31, 2010. This prospectus supplement also includes the present value, discounted at 10% per annum, of estimated future net revenue before income tax of our estimated proved reserves, which is referred to herein as the PV-10. Please see Supplemental Oil and Gas Disclosures for additional information regarding our reserves and a reconciliation of PV-10, a non-GAAP financial measure, to standardized measure.

Our Company

Overview

Gastar Exploration USA, Inc. is a Delaware corporation and the primary operating subsidiary of Gastar Exploration Ltd., which owns 100% of the common stock of Gastar Exploration USA, Inc. Gastar Exploration USA, Inc. converted from a Michigan corporation to a Delaware corporation on May 24, 2011. Subject to issuance, we anticipate that the shares of Series A Preferred Securities will be approved for listing on the NYSE Amex under the symbol GST.PR.A.

Gastar Exploration Ltd. is a corporation, incorporated in Alberta and subsisting under the *Business Corporations Act (Alberta)*, with its common shares (Parent Common Stock) listed on the NYSE Amex under the symbol GST. Gastar Exploration Ltd. is a holding company and substantially all of its operations are conducted through, and substantially all of its assets are held by, its primary operating subsidiary, Gastar Exploration USA, Inc., and its wholly-owned subsidiaries. Please see Organizational Chart for a depiction of the current organizational structure of Gastar Exploration Ltd. and its direct and indirect wholly-owned subsidiaries.

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Our Business

We are an independent energy company engaged in the exploration, development and production of natural gas and oil in the United States. Our principal business activities include the identification, acquisition, and subsequent exploration and development of natural gas and oil properties. Our emphasis is on unconventional natural gas reserves, such as shall resource plays, as well as prospective deep structures identified through seismic and other analytical techniques. We are pursuing natural gas exploration in the Marcellus Shale in the Appalachian area of West Virginia and central and southwestern Pennsylvania and the deep Bossier play in the Hilltop area in East Texas. We also conduct limited coal bed methane development activities within the Powder River Basin of Wyoming and Montana.

As of December 31, 2010, we had estimated total proved reserves of 49.9 billion cubic feet (Bcf) of natural gas and 61,300 barrels of oil, or 50.3 billion cubic feet of natural gas equivalent (Bcfe), of which 83% were proved developed reserves. The PV-10 value of our proved reserves as of December 31, 2010 was $67.3 million based on the SEC pricing methodology. Please see Supplemental Oil and Gas Disclosures for additional information regarding our reserves and a reconciliation of PV-10, a non-GAAP financial measure, to standardized measure. For 2010, our net daily production averaged approximately 21.0 million cubic feet of natural gas equivalent (MMcfe), which generated natural gas and oil revenues of $31.6 million and for the three months ended March 31, 2011, our net daily production averaged approximately 22.6 MMcfe, which generated natural gas and oil revenues of $10.0 million.

Our Properties

Our current operational activities are conducted primarily in the United States. As of March 31, 2011, our major assets consist of approximately 103,500 gross (73,600 net) acres in the Marcellus Shale in the Appalachian area of West Virginia and southwestern Pennsylvania, approximately 35,300 gross (19,400 net) acres in the Bossier play in the Hilltop area of East Texas and approximately 43,400 gross (19,600 net) acres in the Powder River Basin of Wyoming and Montana.

Appalachian Area, West Virginia and Central and Southwestern Pennsylvania. As of March 31, 2011, our leasehold position in this area encompassed approximately 103,500 gross (73,600 net) acres, of which 41,500 gross (19,000 net) acres are included in the Atinum Joint Venture (described below). For the three months ended March 31, 2011, net production from the Appalachian area averaged 0.7 MMcfe per day. At December 31, 2010, proved reserves attributable to the Appalachia area were approximately 2.8 Bcfe, representing 6% of our total proved reserves.

Hilltop Area, East Texas. The majority of our activities in the first quarter of 2011 have been in the Bossier play in the Hilltop area of East Texas. As of March 31, 2011, our leasehold position in this area encompassed approximately 35,300 gross (19,400 net) acres. For the three months ended March 31, 2011, net production from the Hilltop area averaged 20.4 MMcfe per day. At December 31, 2010, proved reserves attributable to the Hilltop area were approximately 45.0 Bcfe, representing 90% of our total proved reserves and 83% of which is proved developed.

Powder River Basin, Wyoming and Montana. As of March 31, 2011, we owned an average non-operated working interest of approximately 40% in approximately 43,400 gross (19,600 net) acres within the Powder River Basin of Wyoming and Montana. Due to low natural gas prices in the area, we decreased our drilling activity and reduced compression in this area during 2010, as a result of which our Powder River Basin production averaged 1.4 MMcfe per day for the three months ended March 31, 2011.

On September 21, 2010, we entered into a joint venture (the Atinum Joint Venture) with an affiliate of Atinum Partners Co., Ltd. (Atinum), a Korean investment firm, pursuant to which we assigned to Atinum an initial 21.43% interest in all of our existing Marcellus Shale assets in West Virginia and Pennsylvania, consisting of approximately 37,600 gross (34,200 net) acres and a 50% working interest in 16 producing shallow conventional wells and one non-producing vertical Marcellus Shale well (the Atinum Joint Venture Assets) for total consideration of $70.0 million. Atinum paid us approximately $30.0 million in cash at closing on November 1, 2010 and will pay the additional $40.0 million in the form of a drilling carry by funding 75% of our 50% share of drilling, completion and infrastructure costs, in addition to its obligation to fund its 50% share of those same costs. Upon completion of the funding of the drilling carry, we will make additional assignments, as necessary, to Atinum as a result of which Atinum will own a 50% interest in the Atinum Joint Venture Assets. As of March 31, 2011, approximately $37.0 million of drilling carry obligation remained outstanding.

The Atinum Joint Venture is pursuing an initial three-year development program that calls for the partners to drill a minimum of 12 horizontal wells in 2011 and 24 horizontal wells in each of 2012 and 2013. An initial Area of Mutual Interest (AMI) has been established for potential additional acreage acquisitions in Ohio and New York along with the counties in West Virginia and Pennsylvania in which the existing Atinum Joint Venture Assets are located. Within the initial AMI, we will act as operator and are obligated to offer any future lease acquisitions to Atinum on a 50/50 basis, and Atinum will pay us on an annual basis an amount equal to 10% of lease bonuses and third party leasing costs up to $20.0 million and 5% of such costs on activities above $20.0 million. Until June 30, 2011, Atinum will also have the right to participate in any future leasehold acquisitions made by us outside of the initial AMI and within West Virginia or Pennsylvania on terms identical to those governing the existing Atinum Joint Venture.

Our Strategy

Our strategy is to increase stockholder value by delivering sustainable reserves growth and improved operating results from our existing assets. We recognize that there may be periods, such as the recent economic downturn or declines in product prices that make it difficult to fully execute this strategy on a short-term basis. We intend to implement our strategy by focusing on:

Continued Exploitation of Existing Marcellus Shale and East Texas Assets with a Focus on Areas that We Believe are Prospective for Natural Gas and Oil. During 2010 and through the first quarter of 2011, we increased our acreage exposure to approximately 103,500 gross (73,600 net) acres and drilling activities in the Marcellus Shale, and we intend to continue to do so throughout the remainder of 2011. We also have identified numerous potential drilling locations on our East Texas acreage position at March 31, 2011 of 35,300 gross (19,400 net) acres that provide opportunities to increase production and cash flow through the drilling of potentially high return Bossier wells.

Active Management of Our Domestic Drilling Program. We believe operating a large portion of our Marcellus Shale and East Texas properties enables us to control the timing and cost of our drilling budget as well as control operating costs and the marketing of our production. We have assembled an experienced team of operating professionals with the specialized skills needed to plan and execute the drilling and completion of the deep, high-temperature and high-pressure wells targeting the deep Bossier formation. We believe the expansion of our net acreage in the Marcellus Shale and entry into the Atinum Joint Venture during 2010, coupled with our own successful Marcellus Shale completion and offset operator success, will provide us with a multi-year inventory of drilling opportunities in that area. Further, our drilling activity during 2010 in East Texas expanded our acreage that is prospective for future drilling and confirmed our belief that we have multiple years of drilling opportunities remaining in this area.

Effective Management and Utilization of Technological Expertise. We believe that 3-D seismic analysis, enhanced natural gas recovery processes, horizontal drilling and other advanced drilling technologies and production techniques are valuable tools that improve drilling results and ultimately enhance production and returns. We believe that utilizing these technologies and production techniques

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in exploring for, developing and exploiting natural gas and oil properties have helped us reduce drilling risks, lower finding costs and provide for more efficient production of natural gas and oil from our properties.

Recent Developments

Amendment to Gastar USA s Revolving Credit Facility

On June 14, 2011, Gastar USA, together with the Company and certain of its subsidiaries as guarantors, the lenders party thereto, and Amegy Bank National Association as administrative agent, entered into the Third Amendment to Amended and Restated Credit Agreement (the Third Amendment) amending that certain Amended and Restated Credit Agreement dated October 28, 2009 (as amended by that certain Consent and First Amendment to Amended and Restated Credit Agreement dated November 20, 2009 and that certain Second Amendment to Amended and Restated Credit Agreement dated June 24, 2010, and as further amended by this Third Amendment, the Credit Agreement). The Third Amendment amended the Credit Agreement, by, among other things, allowing Gastar USA to (i) issue Series A Preferred Securities from time to time, including Series A Preferred Securities issued for purposes of paying interest in kind to the Company; as long as no default exists or would result from such payment and availability under the Credit Agreement equals at least 10% of the then-existing borrowing base under the Credit Agreement, (A) pay cash dividends on the Series A Preferred Securities of no more than $10 million in the aggregate in each calendar year; (B) pay cash dividends due on the Series A Preferred Securities or redeem the Series A Preferred Securities out of the proceeds of issuances of common stock by Gastar USA or Parent Common Stock; and (C) redeem the Series A Preferred Securities with retained earnings of Gastar USA or the proceeds of a loan or advance to or an investment in Gastar USA made with retained earnings of the Company, and (iii) pay dividends on the Series A Preferred Securities with additional shares of Series A Preferred Securities, shares of common stock of the Company, or, after an initial public offering thereof, shares of common stock of Gastar US. Additionally, the Third Amendment allows the Company to guarantee the obligations of Gastar USA with respect to the Series A Preferred Securities.

Conversion of Gastar USA to Delaware Corporation

On May 24, 2011, Gastar USA converted from a Michigan corporation to a Delaware corporation (the Conversion). Following the Conversion, Gastar USA s new Delaware certificate of incorporation allows Gastar USA to issue 10,000,000 shares of preferred stock, with $0.01 par value.

Corporate Information

Our principal executive office is located at 1331 Lamar Street, Suite 650, Houston, Texas 77010, and our telephone number at that address is (713) 739-1800. Our website address is www.gastar.com. Information contained on or accessible through our website or about us on any other website is not incorporated by reference into this prospectus supplement and does not constitute a part of this prospectus supplement.

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Organizational Structure

The following chart depicts our current organizational structure:

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The Offering

The following is a brief summary of certain terms of the Series A Preferred Securities and this offering. For a more complete description of the terms of the Series A Preferred Securities, see Description of Series A Preferred Securities beginning on page S-25 of this prospectus supplement and Description of Preferred Securities beginning on page 7 of the accompanying prospectus.

Issuer	Gastar Exploration USA, Inc.
Guarantor	Gastar Exploration Ltd.
Securities Offered	646,295 shares of 8.625% Series A Preferred Securities, par value $0.01 per share
Guarantee	Parent will fully and unconditionally guarantee the payment of dividends that have been declared by the board of directors of Gastar USA (the Gastar USA Board), amounts payable upon redemption or liquidation, dissolution or winding up, and any other amounts due with respect to the Series A Preferred Securities, to the extent described in this prospectus supplement. For a more complete description of the terms of the Parent Guarantee, see Description of Guarantee of Preferred Securities beginning on page S-35 of this prospectus supplement and Description of Guarantee of Preferred Securities beginning on page 8 of the accompanying prospectus.
Best Efforts	The underwriter is selling shares of the Series A Preferred Securities offered in this prospectus supplement on a best efforts basis and is not required to sell any specific number or dollar amount of the securities offered by this prospectus supplement, but will use its best efforts to sell such securities. However, one of the conditions to Gastar USA s obligation to sell any of the shares of Series A Preferred Securities through the underwriter is that, upon the closing of the offering, the shares would qualify for listing on the NYSE Amex. In order to list, the NYSE Amex requires that at least 100,000 shares of Series A Preferred Securities be outstanding and the shares must be held in the aggregate by at least 100 round lot stockholders holding an aggregate of at least $2,000,000 in shares.
Dividends	Holders of the Series A Preferred Securities will be entitled to receive, when and as declared by the Gastar USA Board, out of funds legally available for the payment of dividends, cumulative cash dividends on the Series A Preferred Securities at a rate of 8.625% per annum of the $25.00 liquidation preference per share (equivalent to $2.15625 per annum per share).
	Under certain conditions relating to non-payment of dividends on the Series A Preferred Securities or if the Series A Preferred Securities are no longer listed on a National Exchange, the dividend rate on the Series A Preferred Securities may increase to 10.625% per annum, which is referred to as the Penalty Rate.

Dividends will generally be payable monthly in arrears on the last day of each calendar month.

Dividends on the Series A Preferred Securities will accrue regardless of whether:

- the terms of any Senior Shares (as defined below) issued by Gastar USA or agreements of Gastar USA, including any documents governing Gastar USA s indebtedness, at any time prohibit the current payment of dividends;
- Gastar USA has earnings;
- there are funds legally available for the payment of such dividends; or
- such dividends are declared by the Gastar USA Board.

All payments of dividends made to the holders of Series A Preferred Securities will be credited against the previously accrued dividends on such shares of Series A Preferred Securities. Gastar USA will credit any dividends paid on the Series A Preferred Securities first to the earliest accrued and unpaid dividend due.

Penalties as a Result of Failure to Maintain a Listing on a National Exchange

Once the Series A Preferred Securities are eligible for listing, if Gastar USA fails to maintain a listing of the Series A Preferred Securities on the New York Stock Exchange, the NYSE Amex or The NASDAQ Global, Global Select or Capital Market, or a comparable national exchange (each a National Exchange), for 180 consecutive days, then (i) the annual dividend rate on the Series A Preferred Securities will be increased to the Penalty Rate on the 181st day, and (ii) the holders of Series A Preferred Securities, voting separately as a class with holders of all other series of Parity Shares (as defined under Ranking below) upon which like voting rights have been conferred and are exercisable, will have the right to elect two directors to serve on the Gastar USA Board in addition to those directors then serving on such Board. Such increased dividend rate and director service will continue for so long the Series A Preferred Securities are not listed on a National Exchange.

The amended and restated bylaws of Gastar USA provide that the number of directors on the Gastar USA Board shall be fixed from time to time by a majority of the Gastar USA Board and vacancies resulting from newly created directorships may be filled by a majority of the Gastar USA Board. Because the Parent owns all of the common stock of Gastar USA and controls Gastar USA, Gastar USA presently only has one director, the Chief Executive Officer of Parent. In the event that the holders of Series A Preferred Securities and any other voting Parity Shares exercise any right to elect two directors to serve on the Gastar USA Board, the existing Gastar USA Board may,

	pursuant to the provisions of Gastar USA s bylaws, (i) increase the number of directors on the Gastar USA Board to a number that would allow the directors elected by the holders of the common stock of Gastar USA or appointed by the existing Gastar USA Board to fill the newly created directorships to constitute at least a majority of the Gastar USA Board and (ii) fill those vacancies prior to any such election by the holders of Series A Preferred Securities and other voting Parity Shares.
Penalties as a Result of Failure to Pay Dividends	If, at any time, there is a dividend default because cash dividends on the outstanding Series A Preferred Securities are accrued but not paid in full for any monthly dividend period within a quarterly period for a total of four consecutive or non-consecutive quarterly periods, then, (i) the annual dividend rate on the Series A Preferred Securities will be increased to the Penalty Rate commencing on the first day after the dividend payment date on which such dividend default occurs; (ii) if the dividends are not paid in cash, then dividends on the Series A Preferred Securities, including all accrued but unpaid dividends, will be paid by issuing to the holders thereof: (a) if Gastar USA s common stock is then listed on a National Exchange and to the extent permitted under the rules of the National Exchange on which such shares are listed, registered common stock of Gastar USA (based on the weighted average daily trading price for the 10 business day period ending on the business day immediately preceding the payment) and cash in lieu of any fractional share or (b) if Gastar USA s common stock is not listed on a National Exchange, either, at Gastar USA s election, (x) additional shares of Series A Preferred Securities with a liquidation value equal to the amount of the dividend and cash in lieu of any fractional share or (y) if the Parent Common Stock is then listed on a National Exchange, Parent owns a majority of the voting stock of Gastar USA and to the extent permitted under applicable securities laws and the rules of the National Exchange on which such shares are listed, registered shares of Parent Common Stock (based on the weighted average daily trading price for the 10 business day period ending on the business day immediately preceding the payment) and cash in lieu of any fractional shares of Parent Common Stock, provided that the Parent consents to such issuance of registered shares of Parent Common Stock; and (iii) the holders of Series A Preferred Securities, voting separately as a class with holders of all other series of Parity Shares upon which like voting rights have been conferred and are exercisable, will have the right to elect two directors to serve on the Gastar USA Board, in addition to those directors then serving on such Board. Once all of the accumulated and unpaid dividends on the Series A Preferred Securities have been paid in full and cash dividends at the Penalty Rate have been paid in full for an additional two consecutive quarters, the dividend rate will be restored to the stated rate and the term of office of all directors so elected will terminate with the termination of such voting rights. The foregoing provisions will not be applicable

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unless there is again a failure to pay a monthly dividend during any future quarter.

The amended and restated bylaws of Gastar USA provide that the number of directors on the Gastar USA Board shall be fixed from time to time by a majority of the Gastar USA Board and vacancies resulting from newly created directorships may be filled by a majority of the Gastar USA Board. Because the Parent owns all of the common stock of Gastar USA and controls Gastar USA, Gastar USA presently only has one director, the Chief Executive Officer of Parent. In the event that the holders of Series A Preferred Securities and any other voting Parity Shares exercise any right to elect two directors to serve on the Gastar USA Board, the existing Gastar USA Board may, pursuant to the provisions of Gastar USA s bylaws, (i) increase the number of directors on the Gastar USA Board to a number that would allow the directors elected by the holders of the common stock of Gastar USA or appointed by the existing Gastar USA Board to fill the newly created directorships to constitute at least a majority of the Gastar USA Board and (ii) fill those vacancies prior to any such election by the holders of Series A Preferred Securities and other voting Parity Shares.

Optional Redemption

Gastar USA may not redeem the Series A Preferred Securities prior to June 23, 2014 except pursuant to the special redemption upon a Change of Ownership or Control discussed below. On and after June 23, 2014, Gastar USA may redeem the Series A Preferred Securities for cash at Gastar USA s option, from time to time, in whole or in part, at a redemption price of $25.00 per share, plus accrued and unpaid dividends (whether or not earned or declared) to the redemption date.

Special Redemption upon Change of Ownership or Control

Following a Change of Ownership or Control of us or the Parent by a person, entity or group, Gastar USA (or the acquiring entity) will have the option to redeem the Series A Preferred Securities, in whole but not in part, within 90 days after the date on which the Change of Ownership or Control has occurred, for cash at the following price per share, plus accrued and unpaid dividends (whether or not declared), up to the redemption date:

Redemption Date	**Redemption Price**
Prior to June 23, 2012	$ 25.75
On or after June 23, 2012 and prior to June 23, 2013	$ 25.50
On or after June 23, 2013 and prior to June 23, 2014	$ 25.25
On or after June 23, 2014	$ 25.00

To see how we define Change of Ownership or Control, please see Description of Series A Preferred Securities Redemption Special Redemption upon Change of Ownership or Control.

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Ranking	The Series A Preferred Securities will rank: (i) senior to the common stock and any other equity securities that Gastar USA may issue in the future, the terms of which specifically provide that such equity securities rank junior to such Series A Preferred Securities, in each case with respect to payment of dividends and amounts upon liquidation, dissolution or winding up, referred to as Junior Shares, (ii) equal to any shares of equity securities that Gastar USA may issue in the future, the terms of which specifically provide that such equity securities rank on par with such Series A Preferred Securities, in each case with respect to payment of dividends and amounts upon liquidation, dissolution or winding up, referred to as Parity Shares, (iii) junior to all other equity securities issued by us, the terms of which specifically provide that such equity securities rank senior to such Series A Preferred Securities, in each case with respect to payment of dividends and amounts upon liquidation, dissolution or winding up (any such issuance would require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Securities), referred to as Senior Shares, and (iv) junior to all of Gastar USA s existing and future indebtedness.
	The Parent s guarantee of the Series A Preferred Securities will be the subordinated obligation of the Parent and will rank junior to all of its existing and future debt. See Description of Guarantee of Preferred Securities.
	As of March 31, 2011, Gastar USA had outstanding indebtedness of $20.0 million, including $20.0 million of secured indebtedness. As of March 31, 2011, the Parent had no outstanding indebtedness other than its guarantee of $20.0 million of outstanding indebtedness of Gastar USA.
Liquidation Preference	If Gastar USA liquidates, dissolves or winds up its operations, the holders of the Series A Preferred Securities will have the right to receive $25.00 per share, plus all accrued and unpaid dividends (whether or not earned or declared) to and including the date of payment, before any payments are made to the holders of Gastar USA s common stock and any other Junior Shares. The rights of the holders of the Series A Preferred Securities to receive the liquidation preference will be subject to the proportionate rights of holders of each other future series or class of Parity Shares and subordinate to the rights of Senior Shares.
No Maturity or Mandatory	The Series A Preferred Securities does not have any stated maturity redemption date and will not be subject to any sinking fund or mandatory redemption provisions except for redemption at Gastar USA s option (or the option of the acquiring entity) under some circumstances upon a Change of Ownership or Control as described above or on or after June 23, 2014.

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Voting Rights	Holders of the Series A Preferred Securities will generally only be entitled to vote on certain acquisitions and share exchange transactions and changes that would be materially adverse to the rights of holders of Series A Preferred Securities. However, if cash dividends on any outstanding Series A Preferred Securities have not been paid in full for any monthly dividend period for any four consecutive or non-consecutive quarterly periods, or if Gastar USA fails to maintain the listing of the Series A Preferred Securities on a National Exchange for at least 180 consecutive days after the Series A Preferred Securities becomes eligible for listing on a National Exchange, the holders of the Series A Preferred Securities, voting separately as a class with holders of all other series of Parity Shares upon which like voting rights have been conferred and are exercisable, will have the right to elect two directors to serve on the Gastar USA Board in addition to those directors then serving on the Gastar USA Board until such time as the Series A Preferred Securities becomes listed on a National Exchange or the dividend arrearage is eliminated.
	Additionally, the affirmative consent of holders of at least 66 2/3% of the outstanding Series A Preferred Securities will be required for the issuance of any Senior Shares or for amendments to Gastar USA s certificate of incorporation by merger or otherwise that would affect adversely the rights of holders of the Series A Preferred Securities. For more information regarding the voting rights of the Series A Preferred Securities, please see Description of Series A Preferred Securities Voting Rights.
Material U.S. Federal Income Tax Consequences	The material U.S. federal income tax consequences of purchasing, owning and disposing of Series A Preferred Securities are described in Material U.S. Federal Income Tax Consequences beginning on page S-37 of this prospective supplement. You should consult your tax advisor with respect to the U.S. federal income tax consequences of owning the Series A Preferred Securities in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction.
Listing, Market for Series A Preferred Securities	Subject to issuance, Gastar USA anticipates that the shares of Series A Preferred Securities will be approved for listing on the NYSE Amex under the symbol GST.PR.A. There is no established public trading market for the Series A Preferred Securities and such a market may not develop.
Form	The Series A Preferred Securities will be issued and maintained in book-entry form registered in the name of the nominee of The Depository Trust Company, except under limited circumstances.

No Conversion Rights	The Series A Preferred Securities are not convertible into, or exchangeable for, any of Gastar USA s other property or securities or that of its Parent or its subsidiaries.
Use of Proceeds	We estimate that, in the event that shares offered hereunder are sold at $23.25 per share, the net proceeds from this offering will be approximately $13.8 million, after deducting the underwriting commissions and estimated offering expenses payable by us. We intend to use the net proceeds from the sale of the securities offered by us under this prospectus supplement to repay borrowings under Gastar USA s revolving credit facility, which were incurred to pay for our capital expenditure program and for general corporate purposes. Any remaining net proceeds will be used to fund additional capital expenditures or to provide working capital for general corporate purposes. The precise amount and timing of the application of such proceeds will depend upon Gastar USA s funding requirements and the availability and cost of other funds.
Risk Factors	Investing in the Series A Preferred Securities involves certain risks. You should carefully consider the information set forth in the section of this prospectus supplement titled Risk Factors, in the Parent s reports filed with the SEC, which are incorporated by reference herein, and the other information included in or incorporated in this prospectus supplement, before deciding whether to invest in our Series A Preferred Securities.

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RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the following risks and all of the other information included or incorporated by reference in this prospectus supplement, including but not limited to the risk factors included in the Company s Form 10-K filed with the SEC on March 10, 2011, and the accompanying prospectus before making an investment decision. Additional risks related to us and our securities may be in our other filings with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchan