BETA OIL & GAS INC
Form DEF 14A
June 23, 2004

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 3)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

BETA OIL & GAS, INC.

(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):

ý No fee required.

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

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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BETA OIL & GAS, INC.

1100 Louisiana
Suite 4400
Houston, Texas 77002

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on July 15, 2004

To Our Stockholders:

Notice is hereby given that the annual meeting of stockholders of Beta Oil & Gas, Inc., a Nevada corporation, also referred to hereinafter as "we", "Beta", or the "Company", will be held at 1100 Louisiana, Suite 4400, Houston, Texas on Thursday, July 15, 2004 at 10:00 a.m. Central Daylight Time.

We intend to present for your approval at this meeting:

(1) the election of seven directors to serve until the next annual meeting of stockholders and until their successors shall be duly elected and qualified;

(2) the change of the name of the Company to "Petrohawk Energy Corporation";

(3) the reincorporation of the Company under the laws of the State of Delaware through a merger of the Company into a wholly owned Delaware subsidiary to be formed specifically for this purpose, which reincorporation will, among other things, have the effect of changing the name of the Company to "Petrohawk Energy Corporation";

(4) the elimination of cumulative voting for directors;

(5) the adoption of a classified board through an amendment to the Company's articles of incorporation or bylaws;

(6) the amendment of stock option agreements existing as of May 25, 2004 by and between Beta and certain Beta employees;

(7) the approval of the 2004 Non-Employee Director Incentive Plan, hereinafter referred to as the 2004 Non-Employee Director Plan, in the form that was previously approved by the board of directors of the Company;

(8) the approval of the 2004 Employee Incentive Plan, hereinafter referred to as the 2004 Incentive Plan, in the form that was previously approved by the board of directors of the Company; and

(9) the transaction of such other business that may properly come before the annual meeting or any adjournment thereof.

If you were a stockholder of record of common stock or preferred stock at the close of business on May 28, 2004, you are entitled to notice of and to vote at the meeting or any adjournment thereof. Your vote is important. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE BE SURE THAT THE ENCLOSED PROXY IS PROPERLY COMPLETED, DATED, SIGNED AND RETURNED WITHOUT DELAY IN THE POSTAGE PAID ENVELOPE.

Holders of the Company's shares of preferred stock may be entitled to assert dissenters' rights under Nevada Revised Statutes Sections 92A.300 through 92A.500 in connection with the proposed reincorporation of the Company in Delaware through its merger with and into a wholly owned subsidiary. See "Proposal 3 Rights of Dissenting Stockholders" and Appendix J to the proxy statement accompanying this notice.

BY ORDER OF THE BOARD OF DIRECTORS

Floyd C. Wilson
Chairman of the Board

June 22, 2004

BETA OIL & GAS, INC.

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

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JULY 15, 2004

SOLICITATION OF PROXIES

The accompanying proxy is solicited on behalf of the board of directors of Beta Oil & Gas, Inc., also referred to hereinafter as "we", "Beta", or the "Company", for the 2004 annual meeting of Beta's stockholders. The meeting will be held at 1100 Louisiana, Suite 4400, Houston, Texas, on Thursday, July 15, 2004 at 10:00 a.m. CDT for the purposes set forth in the accompanying notice of annual meeting, and at any adjournments thereof. The principal executive office of the Company is located at 1100 Louisiana, Suite 4400, Houston, Texas 77002. The Company's phone number is (832) 204-2700 and fax number is (832) 204-2800.

Beta will bear the cost of soliciting proxies. Proxies will be solicited primarily by mail, but may be supplemented by personal solicitation, or by telephone, telegram or other forms of wire, electronic or facsimile communication by officers, employees and directors of Beta. No additional compensation will be paid for their solicitation efforts. The notice of annual meeting of stockholders, the proxy statement and the proxy are first being mailed to our stockholders on or about June 23, 2004.

VOTING AT THE ANNUAL MEETING

The close of business on May 28, 2004 has been fixed by the board of directors as the record date for determining stockholders entitled to notice of and to vote at the annual meeting. At that date, Beta had issued and outstanding approximately 13,798,778 shares of voting common stock and 604,271 shares of voting preferred stock. Holders of common stock and holders of preferred stock will vote together as a single class for each of the items presented for your approval at this meeting.

As a common or preferred stockholder you are entitled to vote on all matters properly brought before the meeting, including the matters described in the notice of annual meeting accompanying this proxy statement. Each share of common stock you own entitles you to one vote on all matters to be voted upon except in the case of cumulative voting rights for directors. Each share of preferred stock you own entitles you to a number of votes on any matter equal to the whole number of shares of common stock into which one share of preferred stock is convertible as of the record date for any vote by the stockholders of the Company. As of the record date, each share of preferred stock is convertible into 0.5 shares of common stock, and therefore, entitles you to 0.5 votes per share of preferred stock.

All stockholders of Beta have cumulative voting rights when voting for directors if written notice of a desire for cumulative voting is properly given by one or more stockholders in advance of the meeting. Cumulative voting means you are entitled to as many votes as equals the number of shares you hold on the record date multiplied by the number of directors to be elected. You may cast all votes for a single director or you may distribute your votes among any two or more of the persons for whom you wish to vote in the election of directors.

For stockholders to be able to exercise their right to cumulative voting, one or more stockholders must give written notice to the Secretary of the Company at 1100 Louisiana, Suite 4400, Houston, Texas 77002 that they desire that the vote for the election of directors be cumulative. The notice must be given not less than 48 hours before the time of the meeting, or before 10:00 a.m. on July 13, 2004. At the meeting, before the commencement of the vote for the election of directors, the chairman or secretary of the meeting will announce that notice has been given to provide for cumulative voting. If no such notice is given, there will be no cumulative voting. In the absence of cumulative voting, each stockholder may cast the number votes he is entitled to cast for each share held by him multiplied by the number of directors to be elected, but may not cast more votes than to which he is entitled based on the number of shares owned by such stockholder for any candidate. Under either form of voting, the candidates receiving the highest number of votes, up to the number of directors to be elected, will be elected.

In the event of cumulative voting in the election of directors, the proxy solicited by the board of directors confers discretionary authority on the proxies to cumulate votes among the nominees in such proportion as they see fit. The proxy also confers discretionary authority on the persons named therein to vote with respect to the election of any person as a director where the nominee is unable to serve and matters incident to the conduct of the annual meeting, and any other matters of which the Company did not receive notice until after April 7, 2004.

QUORUM AND VOTING REQUIREMENTS

The presence of the holders of a majority of the outstanding shares of common and preferred stock entitled to vote at the annual meeting, whether in person or by proxy, constitutes a quorum at the annual meeting. The holders of outstanding shares of preferred stock and common stock vote as a single class for each of the items presented for approval at this meeting. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum.

Abstentions and withheld votes for directors will be treated as shares that are present and entitled to vote for purposes of determining whether a quorum exists, but will not be counted as a vote in favor of such matter.

A broker non-vote occurs when a nominee holding shares of common stock for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

The Company is mailing its annual report to stockholders for the year ended December 31, 2003 on Form 10-K/A along with this proxy statement to all stockholders entitled to vote at the annual meeting. The Company's annual report on Form 10-K/A does not constitute part of the proxy soliciting material.

Votes Required

Election of Directors: Under our bylaws, directors will be elected by a plurality of the votes cast. A plurality means that the individuals who receive the largest number of votes cast are elected as directors up to the maximum number of directors to be chosen at the meeting. Any shares not voted (whether by withholding the vote, broker non-vote or otherwise) have no impact in the election of directors, except to the extent the failure to vote for an individual results in another candidate receiving a larger number of votes. Petrohawk Energy, LLC, or Petrohawk, the holder of approximately 54% of the voting power of all of the Company's outstanding stock, has indicated that it intends to vote its shares for the election of all director nominees set forth in "Proposal 1 Election of Directors" below. If Petrohawk votes as indicated and cumulative voting rights are not exercised by Beta's stockholders, this would ensure the election of all director nominees set forth in Proposal 1 below.

Change of the Company's Name to "Petrohawk Energy Corporation": To be approved, this matter requires the affirmative vote of a majority of the voting power of the issued and outstanding shares entitled to vote. Consequently, broker non-votes and abstentions on this matter have the effect of a vote against the matter. Petrohawk has indicated that it intends to vote its shares in favor of changing the Company's name to "Petrohawk Energy Corporation" as more fully described in "Proposal 2 Change of the Company's Name" set forth below. If Petrohawk votes as indicated, this would ensure the approval of Proposal 2.

Reincorporation of the Company in Delaware: To be approved, this matter requires the affirmative vote of a majority of the voting power of the issued and outstanding shares entitled to vote. Consequently, broker non-votes and abstentions on this matter have the effect of a vote against the matter. Petrohawk has indicated that it intends to vote its shares in favor of the reincorporation of the Company in Delaware through its merger with and into a wholly owned subsidiary incorporated in Delaware, as more fully described in "Proposal 3 Reincorporation of the Company in Delaware" set forth below. If Petrohawk votes as indicated, this would ensure the approval of Proposal 3.

Elimination of Cumulative Voting for Directors: To be approved, this matter requires the affirmative vote of a majority of the voting power of the issued and outstanding shares entitled to vote. Consequently, broker non-votes and abstentions on this matter have the effect of a vote against the matter. Petrohawk has indicated that it intends to vote its shares in favor of the elimination of the cumulative voting provisions from the articles of incorporation of the Company, as more fully described in "Proposal 4 Elimination of Cumulative Voting" set forth below. If Petrohawk votes as indicated, this would ensure the approval of Proposal 4.

Approval of Adoption of a Classified Board: To be approved, this matter requires the affirmative vote of a majority of the voting power of the issued and outstanding shares entitled to vote. Consequently, broker non-votes and abstentions on this matter have the effect of a vote against the matter. Petrohawk has indicated that it intends to vote its shares in favor of the amendment of the articles of incorporation or bylaws of the Company to provide for a classified board of directors, as more fully described in "Proposal 5 Amendment to the Company's Articles of Incorporation or Bylaws to Provide for a Classified Board of Directors" set forth below. If Petrohawk votes as indicated, this would ensure the approval of Proposal 5.

Amendment of Stock Option Agreements: To be approved, this matter must receive more affirmative votes than votes in opposition of the voting power of those shares present in person or by proxy at the meeting and entitled to vote. Broker non-votes and abstentions on this matter have no impact on this matter. Petrohawk has agreed to vote its shares in favor of the amendments to the stock option agreements held by the Company's employees as of May 25, 2004, as more fully described in "Proposal 6 Amendment of Stock Option Agreements" set forth below. If Petrohawk votes as indicated, this would ensure the approval of Proposal 6.

Approval of the 2004 Non-Employee Director Incentive Plan: To be approved, this matter must receive more affirmative votes than votes in opposition of the voting power of those shares present in person or by proxy at the meeting and entitled to vote. Broker non-votes and abstentions on this matter have no impact on this matter. Petrohawk has indicated that it intends to vote its shares in favor of the approval of the 2004 Non-Employee Director Incentive Plan, as more fully described in "Proposal 7 Approval of 2004 Non-Employee Director Incentive Plan" set forth below. If Petrohawk votes as indicated, this would ensure the approval of Proposal 7.

Approval of the 2004 Employee Incentive Plan: To be approved, this matter must receive more affirmative votes than votes in opposition of the voting power of those shares present in person or by proxy at the meeting and entitled to vote. Broker non-votes and abstentions on this matter have no impact on this matter. Petrohawk has indicated that it intends to vote its shares in favor of the approval of the 2004 Employee Incentive Plan, as more fully described in "Proposal 8 Approval of 2004 Employee Incentive Plan" set forth below. If Petrohawk votes as indicated, this would ensure the approval of Proposal 8.

HOW TO REVOKE YOUR PROXY

You may revoke a proxy at any time before it is voted. You can do this by delivering a later dated proxy or by notifying the Secretary of the Company at 1100 Louisiana, Suite 4400, Houston, Texas 77002 in writing specifically revoking the proxy. Your attendance and voting in person at the annual meeting will also revoke a proxy. If you do not make any specification on the proxy, your shares will be voted in accordance with the recommendation of the board of directors as stated herein, or at the discretion of the named proxies with regard to any other matter that may properly come before the annual meeting.

COMPANY BACKGROUND

We are an independent oil and gas company engaged in the acquisition, development, production and exploration of natural gas and crude oil. We are a Nevada corporation incorporated in June 1997. Our operations are currently focused on oil and gas producing trends situated in Oklahoma, Texas, Louisiana and Kansas.

Petrohawk Energy, LLC and Related Transactions

On December 12, 2003, the Company entered into a securities purchase agreement (which we generally refer to as the Petrohawk purchase agreement) with Petrohawk pursuant to which the Company agreed to issue to Petrohawk for an aggregate of $60,000,000 in cash:

- 15,151,515 shares of our common stock;

- five year warrants to purchase up to an additional 10,000,000 shares of our common stock at an exercise price of $1.65 per share; and

- a convertible promissory note in the face amount of $35,000,000 convertible after two years into shares of our common stock at a conversion price of $2.00 per share.

Because the issuance of the shares of common stock to Petrohawk in connection with this transaction would result in a change of control of Beta under the rules of the NASDAQ Stock Market, the approval of Beta's stockholders had to be obtained for the issuance of these shares prior to the consummation and closing of the issuance. A special meeting of Beta's stockholders was held on May 25, 2004 for the approval of the issuance of the Company's shares of common stock to Petrohawk (including shares to be issued upon the exercise of the warrants and the conversion of the note) in connection with the Petrohawk transaction. At this meeting, the stockholders of Beta approved the issuance of our shares to Petrohawk. Immediately after the stockholder approval was obtained, the transactions contemplated by the Petrohawk purchase agreement were consummated, and the Petrohawk transaction was closed. Immediately after the consummation of the transaction, Petrohawk held approximately 55% of all of our outstanding shares of common stock, and approximately 54% of the voting power of all our outstanding shares of common and preferred stock. Petrohawk's ownership percentage of shares of common stock of the Company would be approximately 73% assuming the exercise of all warrants and the conversion of the note.

Petrohawk is a Delaware limited liability company with members. The source of the $60 million purchase price for the above-described securities of the Company was capital contributions made to Petrohawk by Petrohawk's members prior to the closing of the transaction.

Under the terms of the Petrohawk purchase agreement and upon the closing of the Petrohawk transaction, all of our directors except Mr. Robert C. Stone, Jr. resigned and the following six persons designated by Petrohawk were appointed as our new directors: Messrs. Floyd C. Wilson, Tucker S. Bridwell, D. Martin Phillips, David B. Miller, James L. Irish, III, and Larry L. Helm. At the closing, under the terms of the Petrohawk purchase agreement, all of our executive officers also resigned and the following persons were elected as our new executive officers: Floyd C. Wilson, Chairman of the Board, President and Chief Executive Officer; Stephen W. Herod, Vice President Corporate Development; Shane M. Bayless, Vice President Chief Financial Officer and Treasurer; and Richard K. Stoneburner, Vice President Exploration.

On May 14, 2004, in connection with the Company's listing application for the shares of common stock to be issued or issuable in the Petrohawk transaction, the Company received a letter from NASDAQ informing it that NASDAQ's staff believed that the Company's proposed transaction with Petrohawk constituted a "Reverse Merger" under NASDAQ Marketplace Rule 4330(f). Under this interpretation, the Company was required to submit an initial listing application and meet all the initial listing criteria on the NASDAQ National Market, including the requirement that the Company's common stock have a minimum bid price of $5 per share, upon consummation of the Petrohawk transaction. In order to satisfy this requirement, the Company implemented a one-for-two reverse stock split to become effective as of May 26, 2004. The reverse stock split allowed the Company to meet the minimum bid price requirement on the first trading day after the Petrohawk transaction was closed, and its application to list all shares of its common stock, including shares issuable upon conversion of shares of preferred stock and upon exercise of warrants and options was approved by NASDAQ. As a consequence of the reverse stock split, each holder of shares of our common stock on May 26, 2004 received one share of common stock for each two shares of common stock it owned on that date. Upon effectiveness of the reverse stock split, the number of outstanding shares of common stock was reduced from 27,597,556 immediately following the closing of the Petrohawk transaction to 13,798,778 (before taking into account the effect of fractional shares to be redeemed for cash) as a result of the reverse split. The number of shares issuable upon the exercise or conversion of outstanding warrants, options, convertible debt and convertible preferred stock and the respective exercise and conversion prices were proportionately adjusted to reflect the effects of the reverse stock split. Letters were sent to the common stock, preferred stock and warrant holders of the Company describing the reverse stock split, and giving information about the exchange of the certificates representing their shares or warrants and payment for their fractional shares, in each case if applicable. Any fractional shares of common stock resulting from the reverse stock split are to be redeemed for $4.12 in cash based on the average of the closing bid prices for the common stock for the five trading days immediately preceding the May 26, 2004 effective date.

As a result of the one-for-two reverse stock split and effective as of May 26, 2004, Petrohawk held:

- 7,575,757 shares of our common stock;
- five year warrants to purchase up to an additional 5,000,000 shares of our common stock at an exercise price of $3.30 per share; and
- a convertible promissory note in the face amount of $35,000,000 which will be convertible after two years into shares of our common stock at a conversion price of $4.00 per share.

On May 27, 2004, our board of directors formed a special committee and appointed Mr. Robert C. Stone, Jr. as the sole disinterested director to serve on the special committee to evaluate the potential purchase by the Company of the oil and gas properties of Petrohawk Energy, LLC. The special committee was given the authority to determine, direct and conduct the process to be undertaken by the Company with respect to the evaluation of the potential purchase by the Company of Petrohawk's oil and gas properties. The special committee also has the authority to appoint independent legal counsel, independent appraisers, financial advisors and engineering consultants in connection with this evaluation, and to negotiate any proposed terms and conditions of the potential purchase. The special committee was also given the authority to reject any proposals for the potential purchase by the Company of Petrohawk's oil and gas properties if the committee deems such purchase not to be in the best interests of the Company.

Messrs. Miller, Phillips, Helm, Bridwell, Irish and Wilson, six of the seven current directors of the Company, may be deemed to be interested in the potential purchase by the Company of Petrohawk's oil and gas properties. Mr. Wilson, Chairman of the Board, President and Chief Executive Officer of the Company is also an owner and President and Chief Executive Officer of Petrohawk. In addition, FCW, LLC, a member of Petrohawk, has the contractual right to nominate one of the five members of the board of directors of Petrohawk pursuant to Petrohawk's limited liability agreement and has nominated Mr. Wilson, the majority member of FCW, LLC. FCW, LLC has made an approximately 10% capital contribution to Petrohawk. Messrs. David B. Miller and D. Martin Phillips, both directors of the Company, are also directors of Petrohawk. In addition, EnCap Energy Capital Fund IV, L.P. and EnCap Energy Capital Fund IV-B, L.P. which are members of Petrohawk, have the contractual right to nominate a majority of the members of the board of directors of Petrohawk pursuant to Petrohawk's limited liability company agreement. These EnCap entities have nominated Messrs. Miller and Phillips, along with a third nominee, to the board of Petrohawk. Messrs. Miller and Phillips control, indirectly, EnCap Energy Capital Fund IV, L.P. and EnCap Energy Capital Fund IV-B, L.P. which have collectively made an approximately 64% capital contribution to Petrohawk. Each of Messrs. Helm, Bridwell and Irish has made less than a 0.2% capital contribution each to Petrohawk, but does not hold any directorship or office in Petrohawk and is not otherwise affiliated with Petrohawk. Mr. Rioux, a nominee for director, is also a director of Petrohawk. In addition, Kellen Holdings, LLC, a member of Petrohawk which made an approximately 19% capital contribution to Petrohawk, is an affiliate of Liberty Energy Holdings, LLC of which Mr. Rioux is Vice President and Treasurer.

PROPOSAL 1 ELECTION OF DIRECTORS

Beta's Amended and Restated Bylaws specify that the authorized number of directors of Beta shall not be less than one and not more than nine. The board of directors currently has seven members. All of the current board members, other than Mr. Robert C. Stone, Jr. were appointed to our board on May 25, 2004, pursuant to the Petrohawk purchase agreement, and in connection with the closing of the transactions contemplated thereunder. In connection with the closing of these transactions, Messrs. Robert E. Davis, Jr., David A. Wilkins, Rolf N. Hufnagel and David A. Melman resigned as directors of the Company as of May 25, 2004.

The board of directors has established the number of directors for the coming year at seven. If any nominee becomes unavailable for any reason, the board of directors may propose a substitute nominee and the shares represented by proxy will be voted for any substitute nominee, unless the board reduces the number of directors. The board has no reason to expect that any nominee will become unavailable. Shares represented by the accompanying form of proxy will be voted for the election of the following seven nominees unless other instructions are shown on the proxy card:

FLOYD C. WILSON, TUCKER S. BRIDWELL, JAMES L. IRISH III, DAVID B. MILLER, D. MARTIN PHILLIPS, DANIEL RIOUX, AND ROBERT C. STONE, JR.

THE BOARD RECOMMENDS UNANIMOUSLY THAT FLOYD C. WILSON, TUCKER S. BRIDWELL, JAMES L. IRISH III, DAVID B. MILLER, D. MARTIN PHILLIPS, DANIEL RIOUX, AND ROBERT C. STONE, JR. BE ELECTED AS DIRECTORS.

Petrohawk, which currently holds approximately 54% of the voting power of all of the Company's outstanding stock, has indicated that it intends to vote all of its shares for the election of these directors. Larry L. Helm is the only current member of our board of directors who is not a nominee for election as a director. It is currently anticipated that Mr. Helm may be employed by the Company as an executive officer, and therefore, was not nominated for reelection.

Directors are elected to serve until the next annual meeting of stockholders or until their successors have been elected and qualified. Please see Proposal 5 below presented to our stockholders' approval regarding the proposal of the Company to adopt a classified board. If a classified board is adopted, our directors are expected to have the terms of office set forth and described in Proposal 5 below. The last annual meeting of stockholders was held on June 20, 2003.

The following table sets forth the names and ages of all director nominees for election, the length of their continuous service as a director of the Company, their membership in board committees, and the positions in Beta held by them:

Directors	Since	Age	Position
Floyd C. Wilson	May 2004	57	Chairman of the Board, President and Chief Executive Officer
Tucker S. Bridwell(1)(2)(3)	May 2004	52	Director
James L. Irish III(1)	May 2004	59	Director
David B. Miller(2)	May 2004	54	Director
D. Martin Phillips(3)	May 2004	50	Director
Daniel Rioux		36	Director Nominee
Robert C. Stone, Jr.(1)	September 2000	55	Director

(1) Member of the audit committee

(2) Member of the compensation committee

(3) Member of the nominating committee

Director Information

The following discussion provides information regarding our current and nominated directors, including their names, their principal occupations, any directorships in other public companies held by them, and the length of their continuous service for the Company.

Floyd C. Wilson was appointed as the Chairman of the Board, President and Chief Executive Officer of the Company on May 25, 2004. He is an owner, President and Chief Executive Officer of Petrohawk which he founded in June 2003. Mr. Wilson was the Chairman and Chief Executive Officer of 3TEC Energy Corporation from August 1999 until its merger with Plains Exploration & Production Company in June 2003. Mr. Wilson founded W/E Energy Company L.L.C., formerly known as 3TEC Energy Company L.L.C. in 1998 and served as its President until August 1999. Mr. Wilson began his career in the energy business in Houston, Texas in 1970 as a completion engineer. He moved to Wichita, Kansas in 1976 to start an oil and gas operating company, one of several private energy ventures which preceded the formation of W/E. Mr. Wilson founded Hugoton Energy Corporation in 1987, and served as its Chairman, President and Chief Executive Officer. In 1994, Hugoton completed an initial public offering and was merged into Chesapeake Energy Corporation in 1998.

Tucker S. Bridwell was appointed as a director of the Company on May 25, 2004. Mr. Bridwell has been the President of Mansefeldt Investment Corporation and the Dian Graves Owen Foundation since September 1997 and manages investments for both entities. He has been in the energy business in various capacities for over 25 years. Mr. Bridwell served as chairman of First Permian, LLC from 2000 until its sale to Energen Corporation in April 2002. He is a certified public accountant and holds B.B.A and M.B.A degrees from Southern Methodist University.

Larry L. Helm was appointed as a director of the Company on May 25, 2004. Mr. Helm has 30 years of experience in commercial banking. Mr. Helm is currently retired. He was employed with Bank One Corporation from December 1989 through December 2003. Most recently Mr. Helm served as Executive Vice President of Middle Market Banking from October 2001 to December 2003. From August 1999 to October 2001, he was Chairman of Southern Region Commercial Banking and from April 1998 to August 1999, he served as Executive Vice President of the Energy and Utilities Banking**.** He served as director of 3TEC Energy Corporation from 2000 to June 2003. Mr. Helm holds an M.B.A. from the University of North Texas, and a B.S. from Trinity University in San Antonio, Texas.

James L. Irish III was appointed as a director of the Company on May 25, 2004. Mr. Irish served as a director of 3TEC Energy Corporation from 2002 until June 2003. Mr. Irish is currently of counsel with Thompson & Knight, L.L.P., a Texas based law firm. Mr. Irish has been an attorney with Thomson & Knight, L.L.P. serving in various capacities, including Managing Partner, since 1969.

David B. Miller was appointed as a director of the Company on May 25, 2004. He is a Managing Director and co-founder of EnCap Investments L.P., an investment management and merchant banking firm focused on the upstream and midstream sectors of the oil and gas industry that was founded in 1988. Prior to the formation of EnCap Investments L.P., Mr. Miller co-founded and served as President and Managing General Partner of PMC Reserve Acquisition Company, a partnership with Pitts Energy Group. Prior to the establishment of EnCap, Mr. Miller served as Co-Chief Executive Officer of MAZE Exploration Inc., a Denver, Colorado, based oil and gas company he co-founded in 1981. Before forming MAZE, Mr. Miller was a Vice President in the Energy Department of Republic National Bank of Dallas from 1974 to 1980. Mr. Miller was a director of 3TEC Energy Corporation from 1999 until June 2003. Mr. Miller is also a director of Denbury Resources Inc. Mr. Miller holds M.B.A. and B.B.A. degrees from Southern Methodist University, and he currently sits on the Executive Board of the Edwin L. Cox School of Business at SMU. EnCap Energy Capital Fund IV, L.P. and EnCap Energy Capital Fund IV-B, L.P., which are members of Petrohawk and which are indirectly controlled by EnCap Investments L.P. have the contractual right to nominate a majority of the members of the board of directors of Petrohawk pursuant to Petrohawk's limited liability agreement.

D. Martin Phillips was appointed as a director of the Company on May 25, 2004. Mr. Phillips is a Managing Director and Principal of EnCap Investments L.P., an investment management and merchant banking firm focused on the upstream and midstream sectors of the oil and gas industry that was founded in 1988. Prior to joining EnCap in 1989, from 1978 to 1989, Mr. Phillips served in various management capacities with NCNB Texas National Bank, including as Senior Vice President in the Energy Banking Group. Mr. Phillips is also a director of Plains Resources, Inc. Mr. Phillips was a director of 3TEC Energy Corporation from 1999 until June 2003. Mr. Phillips holds M.B.A. and B.S. degrees from Louisiana State University. Mr. Phillips also attended the Stonier Graduate School of Banking at Rutgers University. EnCap Energy Capital Fund IV, L.P. and EnCap Energy Capital Fund IV-B, L.P., which are members of Petrohawk and which are indirectly controlled by EnCap Investments L.P. have the contractual right to nominate a majority of the members of the board of directors of Petrohawk pursuant to Petrohawk's limited liability agreement.

Daniel Rioux has been recommended to our nominating committee by Floyd C. Wilson as a nominee to become a director of the Company. After deliberations, our nominating committee has recommended Mr. Rioux as a nominee to become a member of our board. Mr. Rioux is the Vice President and Treasurer of Liberty Energy Holdings, LLC, which invests in oil and gas exploration and production, as well as related private equity transactions, on behalf of its insurance company parent. Prior to joining Liberty Energy Holdings, LLC, Mr. Rioux was Vice President of Liberty Energy Corporation, now a subsidiary of Liberty Energy Holdings, LLC, which invests in oil and gas exploration and production, as well as related private equity transactions, on behalf of its insurance company parent. Mr. Rioux holds a B.S. in Finance from Bryant College and an M.B.A from Babson College (F.W. Olin School of Business).

Robert C. Stone, Jr. has served as a director of the Company since September 2000. Currently, Mr. Stone serves as Senior Vice President/Manager of Energy Lending at Whitney National Bank in New Orleans, Louisiana and has been employed there since 2000. Prior to this position, Mr. Stone was Manager of Energy Technical Services, Energy/Maritime Division at Hibernia National Bank from 1998 to 2000 that included evaluation responsibilities for all syndicated and direct lending E&P segment clients. Mr. Stone has held senior management positions in energy banking for over 20 years, with emphasis on small-cap, public and private producers. His experience includes underwriting and managing senior debt, mezzanine and private equity to the independent sector. He began his banking career as an engineer with First National Bank of Commerce in New Orleans in 1983 after working in various engineering positions with Exxon Company, U.S.A. for seven years. He was also a Founding Governor of the City Energy Club of New Orleans and is involved with many civic organizations in New Orleans where he still resides. Mr. Stone holds both a B.S. and M.S. in Engineering from the University of Houston.

Board of Directors; Independence and Corporate Governance

On June 3, 2004, the board of directors adopted the Company's Corporate Governance Guidelines, a copy of which is posted on the Company's website at *www.betaoil.com*. The Corporate Governance Guidelines set forth the Company's policy with respect to qualifications of the members of the board of directors and its audit, compensation, and nominating committees, and director responsibilities. Our Corporate Governance Guidelines also set forth the Company's categorical standards policy regarding director independence, to assist our board of directors in determining director independence under the applicable NASDAQ rules and federal laws. Under the NASDAQ Marketplace Rules and the Company's Corporate Governance Guidelines, the Company is deemed to be a "Controlled Company" within the definition provided in the NASDAQ Marketplace Rules, and therefore, our board of directors is not required to be comprised of a majority of directors who meet the criteria for independence required by the applicable NASDAQ rules and federal law. However, as required under the NASDAQ Marketplace Rules and the Company's Corporate Governance Guidelines, all of the members of our audit committee must be "independent" directors, subject to heightened independence requirements pursuant to the applicable NASDAQ rules and federal law. Our board of directors has determined that each of Messrs. Bridwell, Irish and Stone is an independent director satisfying all the requirements for "independence" set forth in the NASDAQ Marketplace Rules and consistent with the Company's Corporate Governance Guidelines. Messrs. Bridwell, Irish and Stone are the members of our board's audit committee.

Board Meetings and Committees

Messrs. Robert E. Davis, Jr., David A. Wilkins, Rolf N. Hufnagel and David A. Melman served on the Company's board of directors for fiscal year 2003. Mr. Joe C. Richardson, Jr. resigned as a director near the end of April 2003. During 2003, 18 meetings of the board of directors were held. All directors attended all meetings. The directors also took action by unanimous written consent on two occasions. Prior to the closing of the Petrohawk transaction on May 25, 2004 and for the Company's fiscal year 2003, the board had an executive committee, an audit committee, a compensation committee and a nominating committee. On May 25, 2004, the executive committee of the board was eliminated, and the following committees of the board were reestablished: the audit committee, the compensation committee and the nominating committee. The Company's Corporate Governance Guidelines require the Company's independent directors to hold periodic executive sessions (in accordance with applicable NASDAQ rules).

Executive Committee

Until May 25, 2004, the board of directors had an executive committee whose purpose was to formulate and implement recommendations, strategies and actions, which were intended to support and protect stockholder value. This committee was comprised of three voting members: Messrs. Robert E. Davis, Jr., Robert C. Stone, Jr. and David A. Wilkins. This committee did not meet during 2003 and was dissolved on May 25, 2004.

Audit Committee

The board of directors has established an audit committee whose purpose is to oversee our financial reporting and controls and to recommend to the board each year the appointment of an independent auditor. Until June 20, 2003, the audit committee was comprised of two voting members: Mr. Robert C. Stone, Jr., Chairman and Mr. Robert E. Davis, Jr., both independent directors. On June 20, 2003, Mr. David A. Melman, an independent director, was appointed to the audit committee. This committee met on five occasions during 2003. On May 25, 2004, Messrs. Davis and Melman resigned as members of the Company's audit committee, and in addition to Mr. Stone, the following members of our board of directors have been appointed to the audit committee: Messrs. Tucker S. Bridwell and James L. Irish III. Mr. Irish is the current chairman of the audit committee. Our board of directors adopted a new written charter for the audit committee on June 3, 2004. A copy of the audit committee charter is included as Appendix A to this proxy statement and is posted on the Company's website at *www.betaoil.com*. In accordance with the audit committee's charter, the primary functions of the audit committee are to monitor internal accounting controls and financial reporting practices, review financial statements and related information, select and retain the Company's independent auditors, review and evaluate the performance, services, and fees of the independent auditors, pre-approve all audit and permitted non-audit services to be provided by the independent auditors, monitor the independence of the independent auditors, and produce a report for inclusion in the Company's proxy statement. The Company's independent auditors report directly to the audit committee. Additionally, the audit committee discusses with management the Company's earnings releases, including the use of pro-forma financial information, and the information and earnings guidance provided to analysts and rating agencies. The audit committee also reviews and discusses quarterly reports from independent auditors regarding critical accounting policies and practices, alternative treatments of financial information within generally accepted accounting principles, and other material written communication between the independent auditors and management.

The board of directors has determined that each of the current members of the audit committee is independent for purposes of serving on the audit committee under the applicable NASDAQ rules and federal law, and otherwise meets the requirements of the audit committee charter, the applicable NASDAQ rules, and the Corporate Governance Guidelines applicable to audit committee members. The board of directors has also determined that each current member of the audit committee is financially literate under the applicable NASDAQ rules and that Mr. Stone qualifies as an "audit committee financial expert" under such NASDAQ rules and Item 401(a) of Regulation S-K. Mr. Stone is a commercial banking officer with the responsibility of reviewing and analyzing financial statements for private and public oil and gas companies.

Compensation Committee

Our board of directors established a compensation committee of the board of directors. The compensation committee is responsible for formulating and recommending to the full board of directors the compensation paid to our executive officers, and to produce an annual report for inclusion in our proxy statement. The compensation committee also administers the Company's stock option plans, including the Amended and Restated 1999 Incentive and Nonstatutory Stock Option Plan, and if approved by our stockholders, will administer the 2004 Non-Employee Director Incentive Plan, hereinafter referred to as the 2004 Non-Employee Director Plan, and the 2004 Employee Incentive Plan, hereinafter referred to as the 2004 Incentive Plan. Until May 25, 2004, the committee consisted of Messrs. Robert C. Stone, Jr. and Robert E. Davis, Jr., and Mr. Rolf N. Hufnagel who replaced Mr. David A. Wilkins in June 2003. In connection with the closing of the Petrohawk transaction on May 25, 2004, Messrs. Stone, Davis and Hufnagel resigned as members of the compensation committee, and were replaced by Messrs. Tucker S. Bridwell and David B. Miller. The current chair of the compensation committee is Mr. Miller. The board of directors has determined that each of the current members of the compensation committee is a "non-employee director" in accordance with Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and an "outside director" in accordance with Section 162(m) of the Internal Revenue Code, as required in the compensation committee charter. Under NASDAQ Marketplace Rules and the Company's Corporate Governance Guidelines, the Company is deemed to be a "Controlled Company" within the definition provided in the NASDAQ Marketplace Rules, and therefore, our compensation committee is not required to be comprised of directors who meet the criteria for independence required by the applicable NASDAQ rules and federal law. However, our board of directors determined that Mr. Tucker S. Bridwell, a member of our compensation committee, is an "independent" director. This committee met three times during 2003. The board of directors adopted a new written charter for the compensation committee on May 25, 2004. A copy of the compensation committee charter is included as Appendix B to this proxy statement and is posted on the Company's website at *www.betaoil.com*.

Nominating Committee

Our board of directors established a nominating committee of the board of directors in October of 2002. Until May 25, 2004, the nominating committee consisted of Messrs. Robert C. Stone, Jr. and Robert E. Davis, Jr., and Mr. David A. Melman who replaced Mr. David A. Wilkins in June 2003, and the committee did not have a written charter nor had it developed a policy with regard to the consideration of any director candidates recommended by stockholders or the qualifications the nominees for directors should possess. This committee met one time during 2003. In connection with the closing of the Petrohawk transaction on May 25, 2004, Messrs. D. Martin Phillips and Tucker S. Bridwell were appointed as the new members of the nominating committee, and the board of directors adopted a new written charter for the nominating committee. A copy of the nominating committee charter is included as Appendix C to this proxy statement and is posted on the Company's website at *www.betaoil.com*. The current chair of the nominating committee is Mr. Phillips. The primary functions of the nominating committee are to recommend candidates to the board of directors as nominees for election at the annual meeting of stockholders or to fill vacancies as they may occur, and to perform an annual performance evaluation of the board of directors. This committee will also review candidates suggested for nomination by the stockholders. With respect to procedures for stockholders to suggest candidates for consideration by the committee for the 2005 annual meeting of stockholders, see "Board of Directors; Corporate Governance Matters Nomination Process" and "Submission of Stockholder Proposals for the 2005 Annual Meeting of Stockholders" below.

Under NASDAQ Marketplace Rules and the Company's Corporate Governance Guidelines, the Company is deemed to be a "Controlled Company" within the definition provided in the NASDAQ Marketplace Rules, and therefore, our nominating committee is not required to be comprised of directors who meet the criteria for independence required by the applicable NASDAQ rules and federal law. However, our board of directors has determined that Mr. Tucker S. Bridwell, one of the two members of our nominating committee, is an "independent" director.

Board of Directors; Corporate Governance Matters

Code of Ethics and Code of Conduct

The board of directors has adopted a code of ethics for its chief executive officer and senior financial officers and a code of conduct for all directors, officers, and employees of the Company. The Company's code of ethics was filed with the Securities and Exchange Commission ("SEC") as an exhibit to the Company's annual report on Form 10-K/A on April 20, 2004, and is available on the SEC's website at *www.sec.gov* or on the Company's website at *www.betaoil.com*. Additionally, the Company's code of ethics is attached as Appendix D to this proxy statement. The Company's code of conduct was adopted by our current board of directors on June 7, 2004, and is available on the Company's website at *www.betaoil.com*. Additionally, the Company's code of conduct is attached as Appendix E to this proxy statement. We are required to promptly disclose any amendments to, or waivers under, the codes with respect to executive officers and directors, in accordance with applicable federal law. The Company will also provide any person, without charge, a copy of the code of ethics and the code of conduct. Requests for a copy of the code of ethics or the code of conduct may be made by writing to the Company at Beta Oil & Gas, Inc., 1100 Louisiana, Suite 4400, Houston, Texas 77002, Attention: Chief Ethics Officer.

Nomination Process

The nominating committee has been established to review possible candidates for nomination to the board of directors and to recommend candidates for nomination to the board for approval. The committee and the board have adopted the Corporate Governance Guidelines that describe specific traits, abilities, and experience for which the committee and the board look in determining candidates for election to the board. Among the standards and qualifications the committee and the board seek are individuals of high ethical character who share in the values of the Company. They also seek individuals with a variety of experience, including chief executive officers, entrepreneurs, independent business owners, licensed attorneys, and certified public accountants. Additionally, the board is expected to have some members with specialized skills in the oil and gas exploration and development industry, including individuals with strong technical backgrounds. Absent special circumstances, the Company is generally of the view that the continuing service of qualified incumbents promotes stability and continuity in the board room, giving the Company the benefit of the familiarity and insight into the Company's affairs that the directors have accumulated during their tenure, while contributing to the board's ability to work as a collective body. Accordingly, it is the general policy of the committee, absent special circumstances, to nominate qualified incumbent directors who continue to satisfy the committee's membership on the board, whom the committee believes will continue to make important contributions to the board and who consent to stand for reelection, and if reelected, continue their service on the board. The nominating committee is responsible for assessing the appropriate mix of skills and characteristics required of directors in the context of perceived needs of the board at any given point in time and will review and update the criteria as deemed necessary. A copy of the Corporate Governance Guidelines can be found on the Company's website at *www.betaoil.com*.

The nominating committee considers suggestions from many sources, including management, directors, stockholders, and stockholders with contractual rights to nominate and appoint directors, regarding possible candidates for nomination to the board of directors. Any such suggestion by a stockholder for consideration by the committee for nomination as a candidate to be elected at an upcoming annual meeting of stockholders should be submitted to the nominating committee in writing, c/o Secretary, at 1100 Louisiana, Suite 4400, Houston, Texas, 77002. The information should include the name and address of the stockholder suggesting the individual as they appear on the Company's books, the number and class of shares owned beneficially and of record by the stockholder, the suggested individual's name and address, a description of all arrangements or understandings (if any) between the stockholder and the individual being suggested for the committee's consideration, the information about the individual being suggested that would be required to be included in a proxy statement filed with the Securities and Exchange Commission, and an indication of the individual's willingness to be named as a nominee and to serve as a director of the Company if nominated by the committee and the board. The recommendation must be accompanied by the candidate's written consent to being named in the Company's proxy statement as a nominee for election to the board of directors and to serving as a director, if elected. The recommendation and the director candidate's written consent must be provided to the Company for an annual meeting of stockholders 120 days prior to the date of the last year's annual meeting of stockholders. The Company may also require any proposed nominee to furnish such other information as the Company or the committee may reasonably require to determine the eligibility of the nominee to serve as a director. For the deadline for stockholder suggestions of individuals to be considered by the committee for nomination as a candidate to be elected at the 2005 annual meeting of stockholders, see "Submission of Stockholder Proposals for the 2005 Annual Meeting of Stockholders" below. Possible candidates who have been suggested by stockholders are evaluated by the nominating committee in the same manner as are other possible candidates. The committee has not yet retained a third-party search firm to identify candidates at this time, but may do so in the future in its discretion.

On May 25, 2004, six directors were appointed to the Company's board of directors as contractually provided in the Petrohawk purchase agreement. The committee did not receive any stockholder recommendations for nomination to the Board in connection with this year's annual meeting. The nominating committee has recommended for reelection the following current directors: Messrs. Wilson, Stone, Bridwell, Irish, Miller and Phillips. The nominating committee has also recommended Mr. Daniel Rioux as an additional director for the Company's board. Mr. Daniel Rioux was recommended to the nominating committee as a potential director candidate by Mr. Floyd C. Wilson.

Communications with the Board

Stockholders may communicate concerns to any specific director, board committee, or to the full board of directors by sending letters addressed to the directors at Beta Oil & Gas, Inc., 1100 Louisiana, Suite 4400, Houston, Texas 77002, Attention: Chief Ethics Officer. Our Chief Ethics Officer will then forward the communication to the intended director or directors. If the stockholder wishes the communication to be confidential, then the communication should be provided in a form that will maintain confidentiality.

Executive Sessions

Our Corporate Governance Guidelines provide that the independent directors will hold executive sessions at least twice annually with only independent directors present. The chairman of the audit committee is expected to preside over executive sessions. The Corporate Governance Guidelines also provide that non-employee directors may meet periodically in executive session without management present.

Board Attendance of Stockholder Meetings

Historically, we have held board meetings at the time of our annual meetings of stockholders and have informally encouraged our directors to attend the annual meeting of stockholders. All of our directors attended our last annual meeting of stockholders which was held on June 20, 2003. However, until the adoption of our Corporate Governance Guidelines on June 3, 2004, we have had no formal policy in this regard. Our Corporate Governance Guidelines provide that our directors are encouraged to attend annual meetings of the Company's stockholders.

Compensation of Directors

Employee directors receive no additional compensation for service on the board of directors or any committee thereof. Our former board of directors determined that our non-employee directors shall not receive any stated salary for their services, but, by resolution of the board of directors, a fixed sum and expense of attendance, if any, may be allowed for attendance at each regular and special meeting of the board of directors. Until May 27, 2004, the Company's policy was that all of our directors received actual expense reimbursements, and each of our outside directors received $1,500 in fees per board and committee meeting, including meetings held by teleconference. In 2003, the aggregate of the directors' fees to all outside directors was $141,500.

On May 27, 2004, our board of directors adopted a new policy for the compensation of our directors. Under the new policy, all of our directors will continue to receive actual expense reimbursements. In addition, our non-employee directors will each receive $20,000 in cash per year (payable on a quarterly basis in the amount of $5,000), with the option to receive each quarterly amount in shares of the Company's common stock instead of in cash, at the trading value of the shares of the Company's common stock on the date of the last day of each calendar quarter. The chairman of our audit committee will receive an additional $5,000 per year (payable on a quarterly basis in the amount of $1,250), with the option to receive each quarterly amount in shares of the Company's common stock instead of in cash, at the trading value of the shares of the Company's common stock on the date of the last day of each calendar quarter. Each member of our audit committee (other than the chairman) will receive an additional $2,500 per year (payable on a quarterly basis in the amount of $625), with the option to receive each quarterly amount in shares of the Company's common stock instead of in cash, at the trading value of the shares of the Company's common stock on the date of the last day of each calendar quarter.

In addition, pursuant to the terms, and upon approval by Beta's stockholders, of the 2004 Non-Employee Director Plan, each of our non-employee directors is expected to receive a grant of 7,500 restricted shares of the Company's common stock, which are expected to become unrestricted six months after the grant date if the non-employee director is a director of the Company at that time. Under our new policy and pursuant to the terms, and upon approval by Beta's stockholders, of the 2004 Non-Employee Director Plan, each new non-employee director is expected to receive a grant of 7,500 shares of the Company's common stock within sixty days of the date such director begins his service on our board of directors, with the same provisions relating to the schedule of the lifting of their restrictions. In addition, under this policy, additional grants of 5,000 restricted shares of the Company's common stock, with the same schedule for the lifting of the restrictions, are expected to be made to each non-employee director on each anniversary of his or her service as a director of the Company. The number of shares granted to each new non-employee director and upon each non-employee director's anniversary date may be adjusted from time to time, as determined by our board of directors.

Prior to May 27, 2004, our policy with respect to non-employee director options was as follows: Prior to July 1, 2003, non-employee directors received options to purchase 50,000 shares of our common stock for their initial year of service and 25,000 shares each year thereafter, if re-elected, on their anniversary dates, provided that options granted to each of these directors could not cover more than 100,000 shares in the aggregate. This policy was changed so that effective July 1, 2003, directors would receive only annual option grants covering 10,000 shares on the date of the annual meeting but with no cap on the number of shares which may be covered by these options. Prior to July 1, 2003, the option granted to the chairman of the board of directors each year covered an additional 25,000 shares, but effective July 1, 2003, this was reduced to 15,000 additional shares each year. Prior to July 1, 2003, the chairman of the audit committee received an additional 25,000 shares covered by his option each year but this was reduced to 15,000 shares effective July 1, 2003. The exercise price of these options is equal to 110% of the fair market value of the common stock on the date of grant. In addition, Robert E. Davis, Jr. was granted options to purchase 14,583 shares of our common stock on April 22, 2003. In April 2003, an option to purchase 50,000 shares of our common stock, with an exercise price of $1.00 per share, was issued to Mr. Stone for past and present services provided as chairman of our audit committee for the service period of 2001-2003. Additionally, Mr. Stone returned fully vested options covering 50,000 shares with an exercise price of $10.00 per share and 25,000 shares with an exercise price of $5.22 per share. In exchange for the returned options, Mr. Stone received three stock options covering a total of 75,000 shares of common stock which were granted in 25,000 share increments on June 30, 2003, September 30, 2003 and December 31, 2003 at exercise prices equal to or greater than 110% of the closing price of the common stock on The NASDAQ Stock Market, or $1.00 per share, whichever was greater on the respective dates of grant. The options vested immediately on the grant dates and have a ten-year life. The exercise prices of the grants ranged from $1.46 to $2.17 per share. The numbers of shares of stock issuable upon exercise of options and the per share option exercise prices provided in this paragraph do not reflect the adjustment for the one-for-two reverse stock split effective May 26, 2004.

Beta maintains director and officer liability insurance.

STOCK OWNERSHIP

The following table reflects, as of May 26, 2004, the beneficial ownership of our common stock and preferred stock by (i) all persons, or groups of affiliated persons, known by us to be beneficial owners of more than 5% of each class of stock; (ii) each of our directors or nominees for directors; (iv) each of our executive officers; and (v) all of our executive officers and directors as a group, and provides the percentage of outstanding shares of stock of each class held.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned(1)	Percent of Class(2)	Shares of Preferred Stock Beneficially Owned(1)	Percent of Class(2)
Floyd C. Wilson 1100 Louisiana, Suite 4400 Houston, Texas 77002	12,575,757(9)	66.89%	0	*
Stephen W. Herod 1100 Louisiana, Suite 4400 Houston, Texas 77002	0	*	0	*
Shane M. Bayless 1100 Louisiana, Suite 4400 Houston, Texas 77002	0	*	0	*
Richard K. Stoneburner 1100 Louisiana, Suite 4400 Houston, Texas 77002	0	*	0	*
David B. Miller c/o EnCap Investments L.P. 3811 Turtle Creek Blvd., Suite 1080 Dallas, Texas 75219	12,590,757(5)(7)(8)	66.95%	0	*
D. Martin Phillips c/o EnCap Investments L.P. 1100 Louisiana, Suite 3150 Houston, Texas 77002	12,590,757(5)(7)(8)	66.95%	0	*

Larry L. Helm 1320 N. State Parkway, #6D Chicago, Illinois 60610	0(13)	*	0	*
Daniel Rioux 175 Berkeley Street Boston, MA 02116	7,500(10)(14)	*	0	*
Tucker S. Bridwell 400 Pine St., Suite 1000 Abilene, Texas 79601	7,500(10)	*	0	*
James L. Irish III 1700 Pacific Avenue, Suite 3300 Dallas, Texas 75201	7,500(10)	*	0	*
Robert C. Stone, Jr. 49 Allard Boulevard New Orleans, Louisiana 70119	97,500(3)(10)	*	0	*
Petrohawk Energy, LLC 1100 Louisiana, Suite 4400 Houston, Texas 77002	12,575,757(4)	66.89%	0	*
EnCap Energy Capital Fund IV, L.P. 1100 Louisiana, Suite 3150 Houston, Texas 77002	12,590,757(5)(8)(10)	66.95%	0	*
EnCap Energy Capital Fund IV-B, L.P. 1100 Louisiana, Suite 3150 Houston, Texas 77002	12,575,757(6)(7)(8)	66.89%	0	*
EnCap Equity Fund IV GP, L.P. 1100 Louisiana, Suite 3150 Houston, Texas 77002	12,590,757(5)(7)(8)	66.95%	0	*
EnCap Investments L.P. 1100 Louisiana, Suite 3150 Houston, Texas 77002	12,590,757(5)(7)(8)	66.95%	0	*
EnCap Investments GP, L.L.C. 1100 Louisiana, Suite 3150 Houston, Texas 77002	12,590,757(5)(7)(8)	66.95%	0	*
RNBD GP LLC 1100 Louisiana, Suite 3150 Houston, Texas 77002	12,590,757(5)(7)(8)	66.95%	0	*
Gary R. Petersen 1100 Louisiana, Suite 3150 Houston, Texas 77002	12,590,757(5)(7)(8)	66.95%	0	*

Robert L. Zorich 1100 Louisiana, Suite 3150 Houston, Texas 77002	12,590,757(5)(7)(8)	66.95%	0	*
FCW, LLC 1100 Louisiana, Suite 4400 Houston, Texas 77002	12,575,757(9)	66.89%	0	*
Trafelet & Company, LLC Remy W. Trafelet 900 Third Avenue 5th Floor New York, NY 10022	626,600(12)	4.54%(12)	0	*
All officers and directors as a group	12,710,757(11)	67.30%	0	*

* Represents less than 1% of that class of stock outstanding.

(1) Unless otherwise indicated, all shares of stock are held directly with sole voting and investment power. Securities not outstanding, but included in the beneficial ownership of each such person are deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such person, but are not deemed to be outstanding for the purpose of computing percentage of the class owned by any other person. The total number includes shares issued and outstanding as of May 26, 2004, plus shares which the owner shown above has the right to acquire within 60 days after May 26, 2004. The total number also includes, where applicable, restricted shares of common stock expected to be granted to each non-employee director under the 2004 Non-Employee Director Plan within 60 days after May 26, 2004, upon stockholder approval of the plan. Information is provided for reporting purposes only and should not be construed as an admission of actual beneficial ownership.

(2) For purposes of calculating the percent of the class outstanding held by each owner shown above with a right to acquire additional shares, the total number of shares excludes (1) the shares which all other persons have the right to acquire within 60 days after May 26, 2004, pursuant to the exercise of outstanding stock options and warrants and (2) the restricted shares of common stock expected to be granted to all other non-employee directors under the 2004 Non-Employee Director Plan, upon stockholder approval of the plan.

(3) Includes 87,500 shares of common stock underlying stock options.

(4) Includes 7,575,757 shares of common stock and warrants to purchase 5,000,000 shares of common stock exercisable within 60 days after the date hereof.

(5) Represents 7,575,757 shares of common stock and warrants to purchase 5,000,000 shares of common stock exercisable within 60 days after the date hereof owned by Petrohawk and an aggregate of 15,000 shares expected to be granted as compensation to David B. Miller and D. Martin Phillips under the 2004 Non-Employee Director Plan, and expected to be assigned to EnCap Energy Capital Fund IV, L.P. after the grant.

(6) Represents shares owned by Petrohawk.

(7) These entities or persons may be deemed to share voting and dispositive control over the shares of common stock owned by Petrohawk and, except with respect to EnCap Energy Capital Fund

IV-B, L.P., the shares owned by EnCap Energy Capital Fund IV, L.P. EnCap Energy Capital Fund IV, L.P. and EnCap Energy Capital Fund IV-B, L.P., which are members of Petrohawk, have the contractual right to nominate a majority of the members of the board of directors of Petrohawk pursuant to Petrohawk's limited liability company agreement. EnCap Energy Capital Fund IV, L.P. and EnCap Energy Capital Fund IV-B, L.P. are controlled indirectly by David B. Miller, Gary R. Petersen, D. Martin Phillips and Robert L. Zorich. In addition, Mr. Miller and Mr. Phillips are members of Petrohawk's board of directors. Messrs. Miller, Petersen, Phillips and Zorich are members of RNBD GP LLC which in turn has management control, directly or indirectly, over the other EnCap entities listed on this beneficial ownership table, including EnCap Investments GP, L.L.C., EnCap Investments L.P., EnCap Equity Fund IV GP, L.P., EnCap Energy Capital Fund IV-B, L.P., and EnCap Energy Capital Fund IV, L.P. EnCap Equity Fund IV GP, L.P., EnCap Investments L.P., EnCap Investments GP, L.L.C., and RNBD GP LLC have management control, directly or indirectly, over EnCap Energy Capital Fund IV, L.P., and EnCap Energy Capital Fund IV-B, L.P.

(8)

Each of EnCap Energy Capital Fund IV, L.P., EnCap Energy Capital Fund IV-B, L.P., EnCap Equity Fund IV GP, L.P., EnCap Investments L.P., EnCap Investments GP, L.L.C., RNBD GP LLC, David B. Miller, Gary R. Petersen, D. Martin Phillips, and Robert L. Zorich disclaim beneficial ownership of the reported securities in excess of such entity's or person's respective pecuniary interest in the securities.

(9)

Represents shares owned by Petrohawk. Floyd C. Wilson may be deemed to share the voting and dispositive control over the shares of common stock owned by Petrohawk. FCW, LLC, a member of Petrohawk, has the contractual right to nominate one of the members of the board of directors of Petrohawk pursuant to Petrohawk's governing documents and has nominated Floyd C. Wilson, the majority member of FCW, LLC. There are five directors on the board of directors of Petrohawk. Floyd C. Wilson disclaims beneficial ownership of the reported securities in excess of his pecuniary interest in the securities.

(10)

Includes 7,500 shares expected to be granted to each non-employee director as compensation for his service on the board of directors under the 2004 Non-Employee Director Plan, upon stockholder approval of the plan.

(11)

Includes 7,623,257 shares of common stock, 5,000,000 shares of common stock underlying stock purchase warrants and options to purchase 87,500 shares underlying stock options.

(12)

Information obtained from a Schedule 13G filed by Trafelet & Company, LLC and Remy W. Trafelet with the Securities and Exchange Commission on May 26, 2004. This Schedule 13G provides that the percentage of the class of common stock of the Company that Trafelet & Company, LLC and Remy W. Trafelet own is 5.04%.

(13)

Mr. Helm is currently a director of the Company but has not been nominated by our nominating committee or our board for reelection at the 2004 annual stockholders meeting because Mr. Helm is expected to become an executive officer of the Company.

(14)

Mr. Rioux is one of the five directors on the board of directors of Petrohawk Energy, LLC. Kellen Holdings, LLC, an affiliate of Liberty Energy Holdings, LLC and one of the members of Petrohawk, has the right to nominate one director to Petrohawk's board of directors. Mr. Rioux is expected to assign the 7,500 shares expected to be granted to him as compensation for his service on our board of directors to Kellen Holdings, LLC.

MANAGEMENT

The following table sets forth the names and ages of our executive officers, the length of their service as officers and the positions in Beta held by them.

Executive Officers	Since	Age	Position
Floyd C. Wilson	May 2004	57	Chairman of the Board, President and Chief Executive Officer
Stephen W. Herod	May 2004	45	Vice President Corporate Development
Shane M. Bayless	May 2004	37	Vice President Chief Financial Officer and Treasurer
Richard K. Stoneburner	May 2004	50	Vice President Exploration

Executive Officers

Our executive officers are appointed to serve until the meeting of the board of directors following the next annual meeting of stockholders and until their successors have been elected and qualified. The following information is provided about our current executive officers:

Floyd C. Wilson was appointed as the Chairman of the Board, President and Chief Executive Officer of the Company on May 25, 2004. He is an owner, President and Chief Executive Officer of Petrohawk which he founded in June 2003. Mr. Wilson was the Chairman and Chief Executive Officer of 3TEC Energy Corporation from August 1999 until its merger with Plains Exploration & Production Company in June 2003. Mr. Wilson founded W/E Energy Company L.L.C., formerly known as 3TEC Energy Company L.L.C. in 1998 and served as its President until August 1999. Mr. Wilson began his career in the energy business in Houston in 1970 as a completion engineer. He moved to Wichita in 1976 to start an oil and gas operating company, one of several private energy ventures which preceded the formation of W/E. Mr. Wilson founded Hugoton Energy Corporation in 1987, and served as its Chairman, President and Chief Executive Officer. In 1994, Hugoton completed an initial public offering and was merged into Chesapeake Energy Corporation in 1998.

Stephen W. Herod was appointed as Vice President Corporate Development of the Company on May 25, 2004. He was employed by Petrohawk Energy, LLC from its formation in June 2003 until May 2004. He served as Executive Vice President Corporate Development for 3TEC Energy Corporation from December 1999 until its merger with Plains Exploration & Production Company in June 2003 and as Assistant Secretary from May 2001 until June 2003. Mr. Herod served as a director of 3TEC from July 1997 until January 2002. Mr. Herod served as the Treasurer of 3TEC from 1999 until 2001. From July 1997 to December 1999, Mr. Herod was Vice President Corporate Development of 3TEC. Mr. Herod served as President and a director of Shore Oil Company from April 1992 until the merger of Shore with 3TEC's predecessor in June 1997. He joined Shore's predecessor as Controller in February 1991. Mr. Herod was employed by Conquest Exploration Company from 1984 until 1991 in various financial management positions, including Operations Accounting Manager. From 1981 to 1984, Superior Oil Company employed Mr. Herod as a financial analyst.

Shane M. Bayless was appointed as Vice President Chief Financial Officer and Treasurer of the Company on May 25, 2004. He was employed by Petrohawk Energy, LLC from its formation in June 2003 until May 2004. He was Vice President and Controller of 3TEC from July 2000 until 3TEC's merger with Plains Exploration & Production Company in June 2003. Mr. Bayless served as the Treasurer of 3TEC from March 2001 until June 2003. Prior to joining 3TEC, Mr. Bayless was employed by Encore Acquisition Company as Vice President and Controller from 1998 to 2000. Mr. Bayless worked as the Controller from 1996 to 1998 and as the Accounting Manager from 1993 to 1996 at Hugoton. From 1990 to 1993, Mr. Bayless was an Audit Senior with Ernst & Young LLP. He is a Certified Public Accountant.

Richard K. Stoneburner was appointed as Vice President Exploration of the Company on May 25, 2004. He was employed by Petrohawk Energy, LLC from its formation in June 2003 until May 2004. He joined 3TEC in August 1999 and was its Vice President Exploration from December 1999 until its merger with Plains Exploration & Production Company in June 2003. Mr. Stoneburner was employed by W/E Energy Company as District Geologist from 1998 to 1999. Prior to joining 3TEC, Mr. Stoneburner worked as a geologist for Texas Oil & Gas, The Reach Group, Weber Energy Corporation, Hugoton and, independently through his own company, Stoneburner Exploration, Inc. Mr. Stoneburner has over 25 years of experience in the energy business.

Executive Compensation

Summary Compensation Table

The following table sets forth certain information with respect to the compensation of David A. Wilkins, our former Chief Executive Officer, who resigned from his position on May 25, 2004, and Joseph L. Burnett, our former Chief Financial Officer and Secretary, who resigned from his position on May 25, 2004, for services in all capacities to us during the fiscal years ended December 31, 2003, 2002 and 2001. Mr. Wilkins joined Beta on October 21, 2002. None of our other executive officers had an annual salary and bonus in excess of $100,000 paid by us during any such year. No information is given as to any person for any fiscal year during which such person was not an executive officer. The numbers of shares of stock issuable upon exercise of options and the per share option exercise prices used in the following table or the footnotes thereto do not reflect any adjustment for the one-for-two reverse stock split effective May 26, 2004.

Name and Principal Position	Year	Salary	Bonus	Securities Underlying Options	All Other Compensation	Matching Contributions to Simple IRA Retirement Plan
David A. Wilkins(1)	2003	$ 160,000	$ 400,000	100,000(2)	$ 4,054(4)	
Chief Executive Officer,	2002	$ 32,205	$ 50,000	500,000(3)	$ 1,062	
President and Director						