

MidCon Compression LP
Form 424B2
December 01, 2006
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Filed pursuant to Rule 424(b)(2)
Registration No. 333-139053

PROSPECTUS

600,000,000

6 1/4% Senior Notes due 2017

The Company:

Chesapeake Energy Corporation is the third largest independent producer of natural gas in the United States and owns interests in approximately 33,700 producing oil and natural gas wells.

The Offering:

Use of Proceeds: We intend to use the net proceeds from this offering to repay outstanding indebtedness under our revolving bank credit facility, which may be reborrowed for general corporate purposes, including to finance potential future acquisitions.

Interest: The notes have a fixed annual rate of 6.25% which will be paid every six months on January 15 and July 15, commencing July 15, 2007.

Maturity: January 15, 2017.

Guarantees: The notes will be guaranteed on a senior unsecured basis by each of our existing United States subsidiaries, other than certain de minimis subsidiaries, and one of our non-United States subsidiaries.

Ranking: The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future senior debt and senior to any subordinated debt that we may incur. The notes will be effectively subordinated to our and our guarantor subsidiaries' existing and future secured debt, including debt under our revolving bank credit facility, to the extent of the value of the assets securing such debt. The notes will also be effectively subordinated to the debt of any non-guarantor subsidiaries.

Change of Control: Upon the occurrence of certain change of control events, each holder of notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest.

Tax Redemption: We may redeem the notes in whole but not in part at 100% of their principal amount plus accrued interest if at any time we became obligated to pay withholding taxes as a result of a change in law.

Make-Whole Redemption: We may redeem some or all of the notes at any time pursuant to certain make-whole provisions. If we enter into certain sale-leaseback transactions and do not reinvest the proceeds or repay certain senior debt, we must offer to repurchase the notes.

Pricing:

	<u>Per Note</u>	<u>Total</u>
Initial public offering price	100.000%	600,000,000
Underwriting discount	1.625%	9,750,000
Proceeds, before expenses, to Chesapeake	98.375%	590,250,000

This investment involves risks. See Risk Factors beginning on page 14.

The underwriters expect to deliver the notes to investors on or about December 6, 2006, only in book-entry form through the facilities of Euroclear and Clearstream. We intend to apply to list the notes on the Irish Stock Exchange for trading on the Alternative Securities Market thereof.

Joint Book-Running Managers

Barclays Capital

Sole Global Coordinator

Credit Suisse

Deutsche Bank Securities

Goldman Sachs International

Senior Co-Managers

**ABN AMRO
Fortis Securities**

Banc of America Securities Limited

**BNP PARIBAS
The Royal Bank of Scotland
plc**

**Lehman Brothers
UBS Investment Bank**

Co-Managers

**Bayerische Hypo- und Vereinsbank AG
DZ Financial Markets LLC**

**BMO Capital Markets
Natexis Bleichroeder Inc.
TD Securities**

**Calyon Securities (USA)
RBC Capital Markets**

The date of this prospectus is December 1, 2006.

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We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this prospectus. You must not rely on unauthorized information or representations. The information in this prospectus is current only as of the date on its cover, and may change after that date.

NOTICE TO INVESTORS

This prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose other than the United States. Accordingly, the notes may not be offered or sold, directly or indirectly, and this prospectus may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the notes or possess or distribute this prospectus, and you must obtain all applicable consents and approvals; neither we nor the underwriters shall have any responsibility for any of the foregoing legal requirements.

Neither we nor the underwriters nor any of our or their respective representatives is making any representation to you regarding the legality of an investment in the notes, and you should not construe anything in this prospectus as legal, business, tax or other advice. You should consult your own advisors as to the legal, tax, business, financial and related aspects of an investment in the notes. In making an investment decision regarding the notes, you must rely on your own examination of the issuer and the terms of the offering, including the merits and risks involved.

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By accepting delivery of this prospectus, you agree not to use any information herein for any purpose other than considering an investment in the notes.

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Subject to the following paragraph, we accept responsibility for the information contained in this prospectus. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this prospectus with regard to our Subsidiaries and our affiliates and the notes is true and accurate in all material respects, that the opinions and intentions expressed in this prospectus are honestly held and that we are not aware of any other facts the omission of which would make this prospectus or any statement contained herein misleading in any material respect.

The information contained under the caption **Exchange Rate Information** includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate information, we accept no further responsibility in respect of such information. The information set out in relation to sections of this prospectus describing clearing and settlement arrangements, including the section entitled **Description of Notes Book-Entry, Delivery and Form**, is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear Bank S.A./N.V. (Euroclear) or Clearstream Banking, société anonyme (Clearstream) currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear or Clearstream, we accept no further responsibility in respect of such information. In addition, this prospectus contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us.

The underwriters, the trustee, the paying agents and any other agents acting with respect to the notes accept no responsibility for and make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this prospectus and nothing contained in this prospectus is, or should be relied upon as, a promise or representation by the underwriters, the trustee, the paying agents or any other agents acting with respect to the notes as to the past or the future.

By purchasing the notes, you will be deemed to have acknowledged that you have reviewed this prospectus and have had an opportunity to request, and have received, all additional information that you need from us. No person is authorized in connection with any offering made by this prospectus to give any information or to make any representation not contained in this prospectus and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the underwriters.

The information contained in this prospectus is as of the date hereof. Neither the delivery of this prospectus at any time after the date of publication nor any subsequent commitment to purchase the notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this prospectus or in our business since the date of this prospectus.

The notes will be issued in the form of one or more global notes, which will be deposited with, or on behalf of, a common depository for the accounts of Euroclear and Clearstream. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected only through, records maintained by Euroclear and/or Clearstream and their participants, as applicable. See **Description of Notes Book-Entry, Delivery and Form**.

This prospectus sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the notes among participants of Euroclear and Clearstream. However, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued by either of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear, Clearstream or their respective participants under the rules and procedures

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governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

Neither the U.S. Securities and Exchange Commission (the SEC), any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

We reserve the right to withdraw this offering of the notes at any time. We and the underwriters also reserve the right to reject any offer to purchase the notes in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the notes sought by it. The underwriters and certain of their respective related entities may acquire, for their own accounts, a portion of the notes.

We cannot guarantee that our application to list the notes on the Irish Stock Exchange for trading on the Alternative Securities Market thereof will be approved as of the settlement date for the notes or at any time then after, and settlement of the notes is not conditioned on obtaining this listing.

The underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the underwriters may over-allot in connection with this offering and may bid for and purchase notes in the open market. For a description of these activities, see Underwriting.

NOTICE TO CERTAIN EUROPEAN INVESTORS

Austria. The notes may be offered and sold in Austria only in accordance with the provisions of the Banking Act, the Securities Supervision Act of Austria (*Bankwesengesetz and Wertpapieraufsichtsgesetz*) and any other applicable Austrian law. The notes have not been admitted to public offer in Austria under the provisions of the Capital Markets Act or the Investment Fund Act or the Exchange Act (*Kapitalmarktgesetz, Investmentfondsgesetz or Börsengesetz*). Consequently, in Austria, the notes may not be offered or sold directly or indirectly by way of a public offering in Austria and will only be available to a limited group of persons within the scope of their professional activities.

Belgium. The offering of the notes does not constitute an offer to the public in Belgium. It is only directed to persons who are qualified investors (within the meaning of Article 2.1(e)(i) to (iii) of the Prospectus Directive or, upon its implementation, of the relevant Belgian act implementing the Prospectus Directive).

Denmark. This prospectus has not been filed with or approved by any authority in the Kingdom of Denmark. The notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark, except to qualified investors within the meaning of, or otherwise in compliance with an exemption set forth in, Executive Order No. 306 of 28 April 2005.

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France. The notes have not been and will not be offered or sold to the public in France (*appel public à l'épargne*), and no offering or marketing materials relating to the notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in the Republic of France.

The notes may only be offered or sold in the Republic of France to qualified investors (*investisseurs qualifiés*) and/or to a limited group of investors (*cercle restreint d'investisseurs*) as defined in and in accordance with articles L.411-1 and L.411-2 of the French *Code monétaire et financier* and Decree n°98-880 dated October 1, 1998.

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Prospective investors are informed that:

- (i) this prospectus has not been submitted for clearance to the French financial market authority (*Autorité des Marchés Financiers*);
- (ii) in compliance with Decree n°98-880 dated October 1, 1998, any investors subscribing for the notes should be acting for their own account; and
- (iii) the direct and indirect distribution or sale to the public of the notes acquired by them may only be made in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 of the *French Code monétaire et financier*.

Germany. The offering of the notes is not a public offering in the Federal Republic of Germany. The notes may be offered and sold in the Federal Republic of Germany only in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz, WpPG*) and any other applicable German law. Consequently, in Germany, the notes will only be available to and this prospectus and any other offering material in relation to the notes is directed only at persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the Securities Prospectus Act and the notes must not be publicly offered, and this prospectus and any other offering material in relation to the notes must not be passed on, to any person in Germany other than such qualified investor. Any resale of the notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

Ireland. The notes may be offered or sold in Ireland only in accordance with the European Communities (Stock Exchange) Regulations 1984, the European Communities (Transferable Securities and Stock Exchange) Regulations 1992, the Investment Intermediaries Act, 1995 (as amended) and the Companies Act 1963 to 2001 and all other applicable Irish laws and regulations.

Italy. The offering of the notes in Italy has not been registered with the Commissione Nazionale per le Società e la Borsa (CONSOB) pursuant to Italian securities legislation and, accordingly: (i) the notes cannot be offered, sold or delivered in the Republic of Italy (Italy) in a solicitation to the public at large (*sollecitazione all investimento*) within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree no. 58 of February 24, 1998 (the Financial Services Act), nor may any copy of this prospectus or any other document relating to the notes be distributed in Italy, (ii) the notes cannot be offered, sold and/or delivered, nor may any copy of this prospectus or any other document relating to the notes be distributed, either in the primary or in the secondary market, to individuals resident in Italy, and (iii) sales of the notes in Italy shall only be: (a) negotiated with Professional Investors (*operatori qualificati*), as defined under Article 31, paragraph 2, of CONSOB Regulation no. 11522 of July 1, 1998, as amended (CONSOB Regulation 11522), (b) effected in compliance with Article 129 of the Legislative Decree no. 385 of September 1, 1993 (the Italian Banking Act) and the implementing instructions of the Bank of Italy, (c) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Italian Banking Act, the Financial Services Act, CONSOB Regulation 11522 and all the other relevant provisions of Italian law and (d) effected in accordance with any other Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed by CONSOB or the Bank of Italy. Insofar as the requirements above are based on laws which are suspended at any time pursuant to the Prospectus Directive, such requirements shall be replaced by the applicable requirements under the Prospectus Directive or the relevant implementing laws.

Grand Duchy of Luxembourg. This offering should not be considered a public offering in the Grand Duchy of Luxembourg. This prospectus may not be reproduced or used for any purpose other than this offering, nor provided to any person other than the recipient thereof. The notes are offered to a limited

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number of sophisticated investors in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations are banned and the sale may not be publicly advertised.

The Netherlands. Each of the underwriters represents and agrees that (a) it is a professional market party (PMP) within the meaning of Section 1(e) of the Exemption Regulation of June 26, 2002 in respect of the Act on the Supervision of the Credit System 1992 (*Vrijstellingsregeling Wtk 1992*), as amended from time to time (the Exemption Regulation), where applicable read in conjunction with the policy rules of the Dutch Central Bank (*de Nederlandsche Bank N.V.*) on key concepts of market access and enforcement of the Act on the Supervision of the Credit System 1992 (*Wet toezicht Kredietwezen 1992*) published on December 29, 2004 (*Beleidsregel 2005 kernbegrippen markttoetreding en handhaving Wtk 1992*) (the Policy Rules), and Section 2 of the Policy Rules, as amended, supplemented and restated from time to time and (b) it has offered or sold and will offer or sell, directly or indirectly, as part of the initial distribution or at any time thereafter, the notes exclusively (i) to PMPs as reasonably identified by the Issuer on the issue date or (ii) to persons which cannot reasonably be identified as PMPs by the Issuer on the issue date, provided that the notes have a denomination of 50,000 (or the equivalent in any other currency) and shall upon their issuance be included in a clearing institution that is established in an EU Member State, the United States, Japan, Australia, Canada or Switzerland; so that it can reasonably be expected that the underwriters will transfer the notes exclusively to other PMPs.

Generally, notes (including rights representing an interest in a global note) may not be offered, sold, transferred or delivered at any time by anyone, directly or indirectly, to individuals or legal entities who or which are established, domiciled or have their residence in The Netherlands (Dutch Residents) other than to PMPs acquiring the notes for their own account. Dutch Residents, by purchasing notes (or any interest therein), will be deemed to have represented and agreed for the benefit of the Issuer that they are a PMP and acquire the notes for their own account. Each holder of the notes , by purchasing notes (or any interest therein), will be deemed to have represented and agreed for the benefit of the Issuer that (i) such notes (or any interest herein) may not be offered, sold, pledged or otherwise transferred to Dutch Residents other than to a PMP acquiring for its own account or for the account of another PMP and (ii) they will provide notice of this transfer restriction to any subsequent transferee.

In addition, and without prejudice to the relevant restrictions set out above, the notes that are offered in The Netherlands may only be offered and such an offer may only be announced: (i) if the notes have a denomination of at least 50,000 or the equivalent in any other currency; (ii) if the notes, irrespective of their denomination, can be acquired only as a package for a consideration of at least 50,000 or the equivalent in any other currency; and/or (iii) to professional market parties within the meaning of Section 1a paragraph 3 of the Exemption Regulation to the Dutch Securities Supervision Act 1995 (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*); and otherwise (iv) in accordance with the Dutch Securities Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*) and corresponding regulations, as amended from time to time.

Spain. The notes may not be offered or sold in Spain except in accordance with the requirements of the Spanish Securities Market Law (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), as amended and restated, and Royal Decree 291/1992, on issues and public offerings for the sale of securities (*Real Decreto 291/1992, de 27 de marzo, sobre emisiones y ofertas públicas de venta de valores*), as amended and restated, and the decrees and regulations made thereunder. The notes may not be listed, sold, offered or distributed to persons in Spain except (i) in circumstances which do not constitute an offer of securities in Spain within the meaning of Spanish Securities Market Law and further relevant legislation or (ii) pursuant to Article 7 of Royal Decree 291/1992 and subject to compliance with the registration requirements set out therein. This prospectus has not been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore it is not intended for the offering or sale of the notes in Spain.

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Sweden. This prospectus has not been and will not be registered with the Swedish Financial Supervisory Authority. Accordingly, this prospectus may not be made available, nor may the notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that are deemed not to be an offer to the public under the Financial Instruments Trading Act (1991:980).

Switzerland. The offering of the notes is not a public offering in Switzerland. The notes have not been and will not be offered, directly or indirectly, to the public in Switzerland and this prospectus does not constitute a public offering prospectus as that term is understood pursuant to art. 1156 of the Swiss Federal Code of Obligations.

United Kingdom. This prospectus is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as relevant persons). This prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The notes are being offered solely to qualified investors as defined in the Prospectus Directive and accordingly the offer of notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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In this prospectus, (i) or euro refers to the single currency of the participating Member States in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing The European Community, as amended from time to time, and (ii) \$ or dollars refers to the lawful currency of the United States.

The following chart shows for the period from January 1, 2001 through November 30, 2006, the period end, average, high and low noon buying rates in the City of New York for cable transfers of euro as certified for customs purposes by the Federal Reserve Bank of New York expressed as dollars per 1.00 .

Year	dollars per <u> 1.00 </u>			
	High	Low	Period average⁽¹⁾	Period end
2001	0.9535	0.8370	0.8909	0.8901
2002	1.0485	0.8594	0.9495	1.0485
2003	1.2597	1.0361	1.1411	1.2597
2004	1.3625	1.1801	1.2478	1.3538
2005	1.3476	1.1667	1.2400	1.1842
Month				
January 2006	1.2287	1.1980	1.2126	1.2158
February 2006	1.2100	1.1860	1.1940	1.1925
March 2006	1.2197	1.1886	1.2028	1.2139
April 2006	1.2624	1.2091	1.2273	1.2624
May 2006	1.2888	1.2607	1.2767	1.2833
June 2006	1.2953	1.2522	1.2661	1.2779
July 2006	1.2822	1.2500	1.2681	1.2764
August 2006	1.2914	1.2735	1.2810	1.2793
September 2006	1.2833	1.2648	1.2722	1.2687
October 2006	1.2773	1.2502	1.2617	1.2773
November 2006	1.3261	1.2705	1.2888	1.3261

(1) Period average represents the average of the noon buying rates on the last business day of each month during the relevant period for yearly information and the average of the noon buying rates on each business day during the period for monthly information.

The above rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this prospectus or incorporated by reference herein. Our inclusion of these exchange rates is not meant to suggest that the dollar amounts actually represent such euro amounts or that such amounts could have been converted into euro at any particular rate, if at all.

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SUMMARY

This summary may not contain all the information that may be important to you. You should read this entire prospectus and the documents to which we have referred you before making an investment decision. You should carefully consider the information set forth under Risk Factors. In addition, certain statements include forward-looking information which involves risks and uncertainties. See Forward-Looking Statements.

Chesapeake

We are the third largest independent producer of natural gas in the United States, and we own interests in approximately 33,700 producing oil and natural gas wells that are currently producing approximately 1.69 billion cubic feet equivalent, or bcfe, per day, 92% of which is natural gas. Our strategy is focused on discovering, developing and acquiring onshore natural gas reserves in the U.S. east of the Rocky Mountains. Our most important operating area has historically been in various conventional plays in the Mid-Continent region, which includes Oklahoma, Arkansas, Kansas and the Texas Panhandle. At September 30, 2006, 47% of our proved oil and natural gas reserves were located in the Mid-Continent region. During the past four years, we have also built significant positions in various conventional and unconventional plays in the South Texas and Texas Gulf Coast regions, the Permian Basin of West Texas and eastern New Mexico, the Barnett Shale area of North Texas, the Ark-La-Tex area of East Texas and northern Louisiana, the Appalachian Basin in West Virginia, eastern Kentucky, eastern Ohio and southern New York, the Caney and Woodford Shales in southeastern Oklahoma, the Fayetteville Shale in Arkansas, the Barnett and Woodford Shales in West Texas and the Conasauga, Floyd and Chattanooga Shales of Alabama.

As of December 31, 2005, we had 7.5 trillion cubic feet equivalent, or tcf, of proved reserves, of which 92% were natural gas and all of which were onshore. During 2005, we produced an average of 1.3 bcfe per day, a 30% increase over the 1.0 bcfe per day produced in 2004. For 2005, we generated net income available to common shareholders of \$880 million, or \$2.51 per fully diluted common share, which was a 64% increase over the prior year. For the year ended December 31, 2005, we had total revenues of \$4.67 billion and an EBITDA of \$2.66 billion and, for the nine months ended September 30, 2006, we had total revenues of \$5.46 billion and an EBITDA of \$3.77 billion. Please see note 4 to Summary Consolidated Financial Data.

During the first three quarters of 2006, we led the nation in drilling activity with an average utilization of 89 operated rigs and 74 non-operated rigs. Through this drilling activity, we drilled 1,024 (845 net) operated wells and participated in another 1,154 (141 net) wells operated by other companies. Our success rate was 98% for operated and non-operated wells. We replaced our 426 bcfe of production with an internally estimated 1.339 tcf of new proved reserves for a reserve replacement rate of 314%. Reserve replacement through the drillbit was 825 bcfe, or 194% of production (including 541 bcfe of positive performance revisions and 387 bcfe of downward revisions resulting from oil and natural gas price declines between December 31, 2005 and September 30, 2006), and reserve replacement through acquisitions was 514 bcfe, or 120% of production. As a result, our proved reserves grew by 12% during the first three quarters of 2006, from 7.5 tcf to 8.4 tcf. Of the 8.4 tcf, 63% were proved developed reserves.

In the first three quarters of 2006, we produced an average of 1.6 bcfe per day, a 26% increase over the 1.2 bcfe per day produced in the first three quarters of 2005. During the first three quarters of 2006, we generated net income available to common shareholders of \$1.459 billion, or \$3.40 per fully diluted common share, which was a 158% increase over the first three quarters of 2005. Also, in the first three quarters of 2006 we added approximately 1,700 new employees to support our growth, which increased our total employee base to approximately 4,600 employees at September 30, 2006, and invested \$558

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million in leasehold (excluding leasehold acquired through acquisitions) and 3-D seismic data, all of which we consider the building blocks of future value creation.

From January 1, 1998 through September 30, 2006, we have been one of the most active consolidators of onshore U.S. natural gas assets, having purchased approximately 6.4 tcf of proved reserves, at a total cost of approximately \$13.4 billion (including \$4.3 billion for unproved leasehold, but excluding \$987 million of deferred taxes established in connection with certain corporate acquisitions). Excluding the amounts allocated to unproved leasehold and deferred taxes, our acquisition cost per proved thousand cubic feet equivalent, or mcfe, was \$1.42 over this time period. During 2006, we have remained active in the acquisitions market. Acquisition expenditures in 2006 totaled \$3.1 billion (including \$2.1 billion for unproved leasehold). Through these acquisitions, we will have acquired an internally estimated 514 bcfe of proved oil and natural gas reserves.

We intend to use the net proceeds from this offering to repay outstanding indebtedness under our revolving bank credit facility, which may be reborrowed for general corporate purposes, including to finance potential future acquisitions. Please see Use of Proceeds.

Our executive offices are located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, and our telephone number is (405) 848-8000.

Business Strategy

Since our inception in 1989, Chesapeake's goal has been to create value for investors by building one of the largest onshore natural gas resource bases in the United States. For much of the past eight years, our strategy to accomplish this goal has been to build a dominant operating position in the Mid-Continent region, the third largest natural gas supply region in the U.S. In building our industry-leading position in the Mid-Continent, we have integrated an aggressive and technologically advanced drilling program with an active property consolidation program focused on small to medium-sized corporate and property acquisitions. In 2002, we began expanding our focus from the Mid-Continent region to other regions where we believed we could extend our successful strategy. To date, those areas have included the South Texas and Texas Gulf Coast regions, the Permian Basin of West Texas and eastern New Mexico, the Barnett Shale area of North Texas, the Ark-La-Tex area of East Texas and northern Louisiana, the Appalachian Basin in West Virginia, eastern Kentucky, eastern Ohio and southern New York, the Caney and Woodford Shales in southeastern Oklahoma, the Fayetteville Shale in Arkansas, the Barnett and Woodford Shales in West Texas and the Conasauga, Floyd and Chattanooga Shales of Alabama. We believe significant elements of our successful Mid-Continent strategy of acquisition, exploitation, extension and exploration have been or will be successfully transferred to these areas.

Key elements of this business strategy are further explained below:

Make High-Quality Acquisitions. Our acquisition program is focused on acquisitions of natural gas properties that offer high-quality, long-lived production and significant development and high potential deep drilling opportunities. From January 1, 1998 through September 30, 2006, we have purchased approximately 6.4 tcf of proved reserves, at a total cost of approximately \$13.4 billion (including \$4.3 billion for unproved leasehold, but excluding \$987 million of deferred taxes established in connection with certain corporate acquisitions). Excluding the amounts allocated to unproved leasehold and deferred taxes, our acquisition cost per proved mcfe was \$1.42 over this time period. The vast majority of these acquisitions either increased our ownership in existing wells or fields or added additional drilling locations in our focused operating areas. Because these operating areas contain many

smaller companies

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seeking liquidity opportunities and larger companies seeking to divest non-core assets, we expect to continue to find additional attractive acquisition opportunities in the future.

Grow through the Drillbit. One of Chesapeake's most distinctive characteristics is our ability to increase reserves and production through the drillbit. We are currently utilizing 122 operated drilling rigs and 99 non-operated drilling rigs to conduct the most active drilling program in the United States. We focus both on finding significant new natural gas reserves and developing existing proved reserves, principally at deeper depths than the industry average. For much of the past eight years, we have been actively investing in leasehold, 3-D seismic information and human capital to be able to take advantage of the favorable drilling economics that exist today. While we believe U.S. natural gas production has declined during the past five years, we are one of the few large-cap independent oil and gas companies that have been able to increase production, which we have successfully achieved for the past 16 consecutive years and 21 consecutive quarters. We believe key elements of the success and scale of our drilling programs have been our early recognition that natural gas prices were likely to move higher in the U.S. in the post-1999 period accompanied by our willingness to proactively hire new employees and to build the nation's largest onshore leasehold and 3-D seismic inventories, all of which are the building blocks of a successful large-scale drilling program.

Build Regional Scale. We believe one of the keys to success in the natural gas exploration industry is to build significant operating scale in a limited number of operating areas that share many similar geological and operational characteristics. Achieving such scale provides many benefits, the most important of which are higher per unit revenues, lower per unit operating costs, greater rates of drilling success, higher returns from more easily integrated acquisitions and higher returns on drilling investments. We first began pursuing this focused strategy in the Mid-Continent region in late 1997 and we are now the largest natural gas producer, the most active driller and the most active acquirer of leasehold and producing properties in the Mid-Continent. We believe this region, which trails only the Gulf Coast and Rocky Mountain basins in U.S. natural gas production, has many attractive characteristics. These characteristics include long-lived natural gas properties with predictable decline curves, multi-pay geological targets that decrease drilling risk and have resulted in a drilling success rate of 94% over the past 17 years, generally lower service costs than in more competitive or more remote basins and a favorable regulatory environment with virtually no federal land ownership. We believe our other operating areas possess many of these same favorable characteristics and our goal is to become or remain a top five natural gas producer in each of our operating areas.

Focus on Low Costs. By minimizing lease operating costs and general and administrative expense through focused activities and increased scale, we have been able to deliver attractive financial returns through all phases of the commodity price cycle. We believe our low cost structure is the result of management's effective cost-control programs, a high-quality asset base and extensive and competitive services, natural gas processing and transportation infrastructures that exist in our key operating areas. As of September 30, 2006, we operated approximately 19,800 wells, which accounted for approximately 83% of our daily production volume. This large percentage of operated properties provides us with a high degree of operating flexibility and cost control.

Improve our Balance Sheet. We have made significant progress in improving our balance sheet over the past seven years. From December 31, 1998 through September 30, 2006, we have increased our shareholders' equity by \$10.4 billion through a combination of earnings and common and preferred equity issuances. As of September 30, 2006, our debt as a percentage of total capitalization (total capitalization is the sum of debt and stockholders' equity) was 44%, compared to 137% as of December 31, 1998. On a pro forma basis for this offering, our debt to total capitalization ratio as of

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September 30, 2006, would also have been 44%. We plan to continue improving our balance sheet in the years ahead.

Based on our view that natural gas will be in a tight supply/demand relationship in the U.S. during at least the next few years because of the significant structural challenges to growing natural gas supply and the growing demand for this clean-burning, U.S.-produced fuel, we believe our focused natural gas acquisition, exploitation and exploration strategy should provide substantial value-creating growth opportunities in the years ahead. Our goal is to increase our overall production by 10% to 20% per year, with growth at an annual rate of 7% to 10% generated organically through the drillbit and the remaining growth generated through acquisitions. We have reached or exceeded this overall production goal in 11 of our 13 years as a public company.

Company Strengths

We believe the following six characteristics distinguish our past performance and differentiate our future growth potential from other independent natural gas producers:

High-Quality Asset Base. Our producing properties are characterized by long-lived reserves, established production profiles and an emphasis on onshore natural gas. Based upon current production and proved reserve estimates, our proved reserves-to-production ratio, or reserve life, is approximately 14 years. In addition, we believe we are the seventh largest producer of natural gas in the U.S. (third among independents) and the fourth largest owner of proved U.S. natural gas reserves (first among independents). In each of our operating areas, our properties are concentrated in locations that enable us to establish substantial economies of scale in drilling and production operations and facilitate the application of more effective reservoir management practices. We intend to continue building our asset base in each of our operating areas through a balance of acquisitions, exploitation and exploration.

Low-Cost Producer. Our high-quality asset base, the work ethic of our employees, our hands-on management style and our headquarters location in Oklahoma City have enabled us to achieve a low operating and administrative cost structure. During the first three quarters of 2006, our operating costs per unit of production were \$1.38 per mcf, which consisted of general and administrative expenses of \$0.23 per mcf (including non-cash stock-based compensation of \$0.05 per mcf), production expenses of \$0.85 per mcf and production taxes of \$0.30 per mcf. We believe this is one of the lowest cost structures among publicly traded, large-cap independent oil and natural gas producers.

Successful Acquisition Program. Our experienced acquisition team focuses on enhancing and expanding our existing assets in each of our operating areas. These areas are characterized by long-lived natural gas reserves, low lifting costs, multiple geological targets, favorable basis differentials to benchmark commodity prices, well-developed oil and natural gas transportation infrastructures and considerable potential for further consolidation of assets. Since 1998, we have acquired approximately 6.4 tcf of proved reserves that replaced 281% of our total production. We believe we are well-positioned to continue making attractive acquisitions as a result of our extensive track record of identifying, completing and integrating multiple successful acquisitions, our large operating scale and our knowledge and experience in the regions in which we operate.

Large Inventory of Drilling Projects. During the 17 years since our inception, we have been among the five most active drillers of new wells in the United States. Presently we are the most active driller in the U.S. with 122 operated and 99 non-operated rigs drilling. Through this high level of activity over the years, we have developed an industry-leading expertise in drilling deep vertical and horizontal wells in

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search of large natural gas accumulations in challenging conventional and unconventional reservoirs. As a result of our successful acquisition program and active leasehold acquisition and seismic acquisition strategies, we have been able to accumulate a U.S. onshore leasehold position of approximately 10.5 million net acres, and have acquired rights to 14.7 million acres of onshore 3-D seismic data to provide informational advantages over our competitors and to help evaluate our large acreage inventory. On this very large acreage position, our technical teams believe approximately 25,000 exploratory and developmental drill sites exist, representing a backlog of more than ten years of future drilling opportunities at current drilling rates.

Hedging Program. We have used and intend to continue using hedging programs to reduce the risks inherent in acquiring and producing oil and natural gas reserves, commodities that are frequently characterized by significant price volatility. We believe this price volatility is likely to continue in the years ahead and that we can use this volatility to our benefit by taking advantage of prices when they reach levels that management believes are either unsustainable for the long-term or provide unusually high rates of return on our invested capital. As of September 30, 2006, we had natural gas hedges in place covering 57%, 57% and 51% of our anticipated natural gas production for the fourth quarter of 2006 and all of 2007 and 2008, respectively, at average NYMEX prices of \$9.10, \$9.61 and \$9.37 per mcf, respectively. In addition, we have 88%, 72% and 59% of our anticipated oil production hedged for the remainder of 2006 and all of 2007 and 2008, respectively, at average NYMEX prices of \$65.64, \$71.42 and \$71.45 per barrel of oil, respectively. During the first three quarters of 2006, we realized gains from our hedging program of approximately \$807 million.

Entrepreneurial Management. Our management team formed the company in 1989 with an initial capitalization of \$50,000 and fewer than ten employees. Since then, our management team has guided the company through various operational and industry challenges and extremes of oil and natural gas prices to create the third largest independent producer of natural gas in the U.S. with approximately 4,600 employees and an enterprise value of approximately \$25 billion (pro forma for this offering). Our chief executive officer and co-founder, Aubrey K. McClendon, has been in the oil and natural gas industry for 25 years and beneficially owns, as of November 30, 2006, approximately 25.4 million shares of our common stock.

Other Developments

In the past year, there has been significant focus on corporate governance and accounting practices in the grant of equity based awards to executives and employees of publicly traded companies, including the use of market hindsight to select award dates to favor award recipients. Like many other public companies, we have in recent months received occasional investor inquiries regarding our practices in granting employee and executive stock options in past years. On our own initiative and under the auspices of our audit committee, we undertook an internal review of our practices in this area, primarily for the purpose of confirming that the past accounting treatment of our equity compensation awards was appropriate. Recently, we received an investor inquiry questioning the timing of several option grants during the period from 1995 to 2003 in relation to the trading price of our common stock. We expanded our internal review to review these specific option grants and the results were reported to our audit committee. While these internal reviews revealed deficiencies in the documentation of our option grants in prior years, there was no evidence of any misconduct by our executives or directors in the timing or selection of our option grant dates, or that would cause us to conclude that our prior accounting for stock option grants was incorrect in any material respect.

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The Offering

The summary below describes the principal terms of the notes. Some of the terms and conditions described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus contains a more detailed description of the terms and conditions of the notes.

Issuer	Chesapeake Energy Corporation.
Notes Offered	600,000,000 in aggregate principal amount of 6.25% Senior Notes due 2017.
Maturity Date	January 15, 2017.
Interest	Interest on the notes will accrue at an annual rate of 6.25%. Interest will be paid semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2007.
Guarantees	The notes will be unconditionally guaranteed, jointly and severally, by (i) each of our existing United States subsidiaries, other than certain de minimis subsidiaries, and one of our non-United States subsidiaries and (ii) each of our future United States subsidiaries that guarantees any other indebtedness of us or a subsidiary guarantor in excess of \$5 million. The guarantee will be released if we dispose of the subsidiary guarantor or it ceases to guarantee certain other indebtedness of us or any other subsidiary guarantor.
Ranking	<p>The notes will be unsecured and will rank equally in right of payment to all of our existing and future senior indebtedness. The notes will rank senior in right of payment to all of our future subordinated indebtedness. Holders of our secured indebtedness have claims with respect to our assets constituting collateral for their indebtedness that are prior to your claim under the notes. In addition, the notes will be structurally subordinated to any indebtedness of a subsidiary that is not a subsidiary guarantor. Please read Description of Notes Ranking.</p> <p>As of September 30, 2006, we had approximately \$8.0 billion in principal amount of senior indebtedness outstanding, of which \$1.5 billion was secured indebtedness under our revolving bank credit facility. After giving effect to this offering and the application of net proceeds therefrom as described under Use of Proceeds, on a pro forma basis as of September 30, 2006, we would have had approximately \$8.0 billion in principal amount of senior indebtedness outstanding, \$685.1 million of which would have been secured indebtedness. As of November 30, 2006, we had outstanding borrowings of \$1.952 billion under our revolving bank credit facility.</p>

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Make-Whole Redemption	We may redeem some or all of the notes at any time prior to maturity by the payment of a make-whole premium described in the Description of Notes Make-Whole Redemption section of this prospectus.
Change of Control	Upon the occurrence of certain change of control events, each holder of notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest.
Restrictive Covenants	<p>The indenture governing the notes will contain covenants that limit our ability and our subsidiaries' ability to:</p> <p style="padding-left: 40px;">incur certain secured indebtedness;</p> <p style="padding-left: 40px;">enter into sale-leaseback transactions; and</p> <p style="padding-left: 40px;">consolidate, merge or transfer assets.</p> <p>The covenants are subject to a number of exceptions and qualifications. See Description of Notes Certain Covenants.</p>
Additional Amounts	Any payments made by us with respect to the notes will be made without withholding or deduction for taxes imposed by any relevant taxing jurisdiction unless required by law. If we are required by law to withhold or deduct for taxes with respect to a payment to the holders of notes, we will pay additional amounts necessary so that the net amount received by the holders of notes after the withholding is not less than the amount that they would have received in the absence of the withholding. See Description of Notes Payment of Additional Amounts.
Redemption for Taxation Reasons	In the event that we become obligated to pay additional amounts (as described above) to holders of the notes as a result of changes affecting withholding taxes applicable to payments on the notes, we may redeem the notes in whole but not in part at any time at 100% of the principal amount of the notes plus accrued interest to the date of redemption. See Description of Notes Redemption Upon Changes in Withholding Taxes.
Use of Proceeds	We expect the net proceeds to us from this offering, after deducting discounts to the underwriters and estimated expenses of the offering payable by us, will be approximately 590.1 million (or approximately \$778.9 million based on a dollar/euro exchange rate of approximately \$1.32 to 1.00 as of November 30, 2006). We intend to use the net proceeds from this offering to repay outstanding indebtedness under our revolving bank credit facility, which may be reborrowed for general corporate purposes, including funding potential future acquisitions. Please see Use of Proceeds.
Listing	We intend to apply to list the notes on the Irish Stock Exchange for trading on the Alternative Securities Market thereof.

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Denomination	The notes will be issued in denominations of 50,000 and in any integral multiples of 1,000 in excess of 50,000.
Book-Entry, Delivery and Form	Initially, the notes will be represented by one or more permanent global certificates in definitive, fully registered form deposited with a custodian for, and registered in the name of, a nominee of a common depository for the accounts of Euroclear and Clearstream.

Risk Factors

An investment in the notes involves certain risks that a potential investor should carefully evaluate prior to making an investment in the notes. Please read **Risk Factors** beginning on page 14.

Table of Contents**Summary Consolidated Financial Data**

The following tables set forth summary consolidated financial data as of and for each of the three years ended December 31, 2005, 2004 and 2003 and nine months ended September 30, 2006 and 2005. This data was derived from our audited consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2005 and from our unaudited condensed consolidated financial statements included in our quarterly report on Form 10-Q for the quarterly period ended September 30, 2006, each of which is incorporated by reference herein and included in Annex A and Annex B, respectively. The financial data below should be read together with, and is qualified in its entirety by reference to, our historical consolidated financial statements and the accompanying notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations which are set forth in such annual report on Form 10-K and quarterly report on Form 10-Q.

	Nine Months Ended				
	Year Ended December 31,			September 30,	
	2005	2004	2003	2006	2005
	(\$ in thousands, except per share data)				
Statement of Operations Data:					
Revenues:					
Oil and natural gas sales	\$ 3,272,585	\$ 1,936,176	\$ 1,296,822	\$ 4,190,430	\$ 2,032,271
Oil and natural gas marketing sales	1,392,705	773,092	420,610	1,170,091	882,040
Service operations revenue				97,473	
Total revenues	4,665,290	2,709,268	1,717,432	5,457,994	2,914,311
Operating costs:					
Production expenses	316,956	204,821	137,583	364,134	222,660
Production taxes	207,898	103,931	77,893	129,858	136,313
General and administrative expenses	64,272	37,045	23,753	99,728	39,640
Oil and natural gas marketing expenses	1,358,003	755,314	410,288	1,131,521	860,789
Service operations expense				48,925	
Oil and natural gas depreciation, depletion and amortization	894,035	582,137	369,465	976,839	621,484
Depreciation and amortization of other assets	50,966	29,185	16,793	74,051	34,791
Employee retirement expense				54,753	
Provision for legal settlements		4,500	6,402		
Total operating costs	2,892,130	1,716,933	1,042,177	2,879,809	1,915,677
Income from operations	1,773,160	992,335	675,255	2,578,185	998,634
Other income (expense):					
Interest and other income	10,452	4,476	2,827	19,742	7,790
Interest expense	(219,800)	(167,328)	(154,356)	(220,226)	(155,623)
Loss on repurchases or exchanges of Chesapeake senior notes	(70,419)	(24,557)	(20,759)		(70,047)
Gain on sale of investment				117,396	
Loss on investment in Seven Seas			(2,015)		
Total other income (expense)	(279,767)	(187,409)	(174,303)	(83,088)	(217,880)
Income before income taxes and cumulative effect of accounting change	1,493,393	804,926	500,952	2,495,097	780,754
Income tax expense (benefit):					
Current			5,000		

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Deferred	545,091	289,771	185,360	963,136	284,977
Total income tax expense (benefit)	545,091	289,771	190,360	963,136	284,977
Net income before cumulative effect of accounting change, net of tax	948,302	515,155	310,592	1,531,961	495,777
Cumulative effect of accounting change, net of income taxes of \$1,464,000			2,389		
Net Income	948,302	515,155	312,981	1,531,961	495,777
Preferred stock dividends	(41,813)	(39,506)	(22,469)	(62,793)	(25,526)
Loss on conversion/exchange of preferred stock	(26,874)	(36,678)		(10,556)	(22,468)
Net income available to common shareholders	\$ 879,615	\$ 438,971	\$ 290,512	\$ 1,458,612	\$ 447,783

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	Nine Months Ended				
	Year Ended December 31,			September 30,	
	2005	2004	2003	2006	2005
(\$ in thousands, except per share data)					
Earnings per common share basic:					
Income before cumulative effect of accounting change	\$ 2.73	\$ 1.73	\$ 1.36	\$ 3.75	\$ 1.42
Cumulative effect of accounting change			0.02		
	<u>\$ 2.73</u>	<u>\$ 1.73</u>	<u>\$ 1.38</u>	<u>\$ 3.75</u>	<u>\$ 1.42</u>
Earnings per common share assuming dilution:					
Income before cumulative effect of accounting change	\$ 2.51	\$ 1.53	\$ 1.20	\$ 3.40	\$ 1.32
Cumulative effect of accounting change			0.01		
	<u>\$ 2.51</u>	<u>\$ 1.53</u>	<u>\$ 1.21</u>	<u>\$ 3.40</u>	<u>\$ 1.32</u>
Cash dividends declared per common share	\$ 0.195	\$ 0.170	\$ 0.135	\$ 0.170	\$ 0.145
Cash Flow Data:					
Cash provided by operating activities	\$ 2,406,888	\$ 1,432,274	\$ 938,907	\$ 2,982,419	\$ 1,577,345
Cash used in investing activities	6,921,378	3,381,204	2,077,217	6,668,005	3,655,044
Cash provided by financing activities	4,567,621	1,915,245	931,254	3,626,275	2,197,905
Other Financial Data:					
Ratio of earnings to fixed charges ⁽¹⁾⁽²⁾	5.6x	4.8x	4.0x	7.7x	4.3x
Ratio of earnings to fixed charges and preference dividends ⁽¹⁾⁽²⁾	4.6x	3.7x	3.3x	6.0x	3.7x
Ratio of total debt to EBITDA	2.1x	1.9x	2.0x		
EBITDA ⁽³⁾	\$ 2,658,194	\$ 1,583,576	\$ 1,041,566	\$ 3,766,213	\$ 1,592,652
As of December 31,					
	2005	2004	2003	2006	2005
(\$ in thousands)					
Balance Sheet Data:					
Total assets	\$ 16,118,462	\$ 8,244,509	\$ 4,572,291	\$ 23,394,921	\$ 12,365,629
Long-term debt, net	5,489,742	3,075,109	2,057,713	7,861,108	4,250,160
Stockholders' equity	6,174,323	3,162,883	1,732,810	10,192,820	4,206,320

(1) For purposes of determining the ratios of earnings to fixed charges and earnings to fixed charges and preference dividends, earnings are defined as net income before income taxes, cumulative effect of accounting changes, pretax gain or loss of equity investees, amortization of capitalized interest and fixed charges, less capitalized interest. Fixed charges consist of interest (whether expensed or capitalized and excluding the effect of unrealized gains or losses on interest rate derivatives), and amortization of debt expenses and discount or premium relating to any indebtedness. Preference dividends consist of preferred stock dividends grossed up to reflect the pre-tax amount.

(2) The ratio of earnings to fixed charges for the years ended December 31, 2001 and 2002 was 4.4x and 1.5x, respectively. The ratio of earnings to fixed charges and preference dividends for the years ended December 31, 2001 and 2002 was 4.2x and 1.3x, respectively.

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- (3) EBITDA represents net income before income tax expense, interest expense, oil and natural gas depreciation, depletion and amortization and depreciation and amortization of other assets. EBITDA is presented as a supplemental financial measurement in the evaluation of our business. We believe that it provides additional information regarding our ability to meet our future debt service, capital expenditures and working capital requirements. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. EBITDA is also a financial measurement that, with certain negotiated adjustments, is reported to our lenders pursuant to our revolving bank credit facility and is used in the financial covenants in our revolving bank credit facility and our senior note indentures. EBITDA is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income, income from operations or cash flow provided by operating activities prepared in accordance with GAAP. EBITDA is reconciled to net income as follows:

	Year Ended December 31,			Nine Months Ended September 30,	
	2005	2004	2003	2006	2005
	(\$ in thousands)				
Net income	\$ 948,302	\$ 515,155	\$ 312,981	\$ 1,531,961	\$ 495,777
Income tax expense	545,091	289,771	190,360	963,136	284,977
Interest expense	219,800	167,328	154,356	220,226	155,623
Oil and natural gas depreciation, depletion and amortization	894,035	582,137	369,465	976,839	621,484
Depreciation and amortization of other assets	50,966	29,185	16,793	74,051	34,791
Cumulative effect of accounting change			(2,389)		
EBITDA	\$ 2,658,194	\$ 1,583,576	\$ 1,041,566	\$ 3,766,213	\$ 1,592,652

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The following table sets forth our estimated proved reserves and the present value of the proved reserves as of December 31, 2005 (based on our weighted average wellhead prices at December 31, 2005 of \$56.41 per barrel of oil and \$8.76 per mcf of natural gas). These prices were based on the cash spot prices for oil and natural gas at December 31, 2005.

	Oil	Gas	Gas Equivalent	Percent of Proved Reserves	Present Value (\$ in thousands)
	(mdbl)	(mmcf)	(mmcfe)		
Mid-Continent	48,915	3,504,653	3,798,216	51%	\$ 11,308,766
Appalachia	1,094	1,289,919	1,296,482	17	3,462,744
Ark-La-Tex and Barnett Shale	6,379	1,030,962	1,069,236	14	3,551,565
Permian	39,126	457,811	692,570	9	2,040,175
South Texas and Texas Gulf Coast	3,308	602,551	622,399	8	2,459,379
Other	4,501	14,858	41,787	1	110,965
Total	103,323	6,900,754	7,520,690	100%	\$ 22,933,594⁽¹⁾

(1) The standardized measure of discounted future net cash flows at December 31, 2005 was \$16.0 billion.

As of December 31, 2005, the present value of our proved developed reserves as a percentage of total proved reserves was 71%, and the volume of our proved developed reserves as a percentage of total proved reserves was 65%. Natural gas reserves accounted for 92% of the volume of total proved reserves at December 31, 2005.

Future prices and costs may be materially higher or lower than the prices and costs as of the date of any estimate. A change in price of \$0.10 per mcf for natural gas and \$1.00 per barrel for oil would result in a change in our December 31, 2005 present value of estimated future net revenue of proved reserves of approximately \$315 million and \$50 million, respectively.

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The following table sets forth certain information regarding the production volumes, oil and natural gas sales, average sales prices received and expenses associated with sales of natural gas and oil for the periods indicated:

	Year Ended December 31,					Nine Months Ended	
	September 30,						
	2005	2004	2003	2006	2005		
Net Production:							
Oil (m bbl)	7,698	6,764	4,665	6,437	5,684		
Natural gas (mmcf)	422,389	322,009	240,366	387,696	304,060		
Natural gas equivalent (mmcfe)	468,577	362,593	268,356	426,318	338,164		
Oil and Natural Gas Sales (\$ in thousands):							
Oil sales	\$ 401,845	\$ 260,915	\$ 132,630	\$ 404,595	\$ 290,332		
Oil derivatives realized gains (losses)	(34,132)	(69,267)	(12,058)	(25,695)	(28,654)		
Oil derivatives unrealized gains (losses)	4,374	3,454	(9,440)	24,825	(5,951)		
Total oil sales	\$ 372,087	\$ 195,102	\$ 111,132	\$ 403,725	\$ 255,727		
Natural gas sales	\$ 3,231,286	\$ 1,789,275	\$ 1,171,050	\$ 2,526,168	\$ 2,005,670		
Natural gas derivatives realized gains (losses)	(367,551)	(85,634)	(5,331)	832,769	(97,955)		
Natural gas derivatives unrealized gains (losses)	36,763	37,433	19,971	427,768	(131,171)		
Total natural gas sales	\$ 2,900,498	\$ 1,741,074	\$ 1,185,690	\$ 3,786,705	\$ 1,776,544		
Total oil and natural gas sales	\$ 3,272,585	\$ 1,936,176	\$ 1,296,822	\$ 4,190,430	\$ 2,032,271		
Average Sales Price: (excluding gains (losses) on derivatives):							
Oil (\$ per bbl)	\$ 52.20	\$ 38.57	\$ 28.43	\$ 62.85	\$ 51.08		
Natural gas (\$ per mcf)	\$ 7.65	\$ 5.56	\$ 4.87	\$ 6.52	\$ 6.60		
Natural gas equivalent (\$ per mcfe)	\$ 7.75	\$ 5.65	\$ 4.86	\$ 6.87	\$ 6.79		
Average Sales Price: (excluding unrealized gains (losses) on derivatives):							
Oil (\$ per bbl)	\$ 47.77	\$ 28.33	\$ 25.85	\$ 58.86	\$ 46.04		
Natural gas (\$ per mcf)	\$ 6.78	\$ 5.29	\$ 4.85	\$ 8.66	\$ 6.27		
Natural gas equivalent (\$ per mcfe)	\$ 6.90	\$ 5.23	\$ 4.79	\$ 8.77	\$ 6.42		
Expenses (\$ per mcfe):							
Production expenses	\$ 0.68	\$ 0.56	\$ 0.51	\$ 0.85	\$ 0.66		
Production taxes	\$ 0.44	\$ 0.29	\$ 0.29	\$ 0.30	\$ 0.40		
General and administrative expenses	\$ 0.14	\$ 0.10	\$ 0.09	\$ 0.23	\$ 0.12		
Oil and natural gas depreciation, depletion and amortization	\$ 1.91	\$ 1.61	\$ 1.38	\$ 2.29	\$ 1.84		
Depreciation and amortization of other assets	\$ 0.11	\$ 0.08	\$ 0.06	\$ 0.17	\$ 0.10		
Interest expense ⁽¹⁾	\$ 0.47	\$ 0.45	\$ 0.55	\$ 0.52	\$ 0.47		

(1) Includes the effects of realized gains (losses) from interest rate derivatives, but does not include the effects of unrealized gains (losses) and is net of amounts capitalized.

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RISK FACTORS

In addition to the other information set forth elsewhere or incorporated by reference in this prospectus, the following factors relating to our company and the offering should be considered carefully before making an investment in the notes offered hereby.

Risks Relating to Our Business

Oil and gas prices are volatile. A decline in prices could adversely affect our financial position, financial results, cash flows, access to capital and ability to grow.

Our revenues, operating results, profitability and future rate of growth depend primarily upon the prices we receive for the oil and gas we sell. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. The amount we can borrow from banks is subject to periodic redeterminations based on prices specified by our bank group at the time of redetermination. In addition, we may have ceiling test write-downs in the future if prices fall significantly.

Historically, the markets for oil and gas have been volatile and they are likely to continue to be volatile. Wide fluctuations in oil and gas prices may result from relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and other factors that are beyond our control, including:

worldwide and United States supplies of oil and gas;

weather conditions;

the level of consumer demand;

the price and availability of alternative fuels;

the proximity and capacity of natural gas pipelines and other transportation facilities;

the price and level of imports in the United States;

United States and non-United States governmental regulations and taxes;

the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;

political instability or armed conflict in oil-producing regions; and

overall United States and global economic conditions.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and gas price movements with any certainty. Declines in oil and natural gas prices would not only reduce revenue, but could reduce the amount of oil and gas that we can produce economically and, as a result, could have a material adverse effect on our financial condition, results of operations and reserves. Further, oil and gas prices do not necessarily move in tandem. Because approximately 92% of our reserves at December 31, 2005 were natural gas reserves, we are more affected by movements in natural gas prices.

Our level of indebtedness and preferred stock may adversely affect operations and limit our growth, and we may have difficulty making debt service payments on our indebtedness as such payments become due.

As of September 30, 2006, we had long-term indebtedness of approximately \$7.9 billion, with \$1.5 billion of outstanding borrowings drawn under our revolving bank credit facility. Our long-term

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indebtedness represented 44% of our total book capitalization at September 30, 2006. As of November 30, 2006, we had approximately \$1.952 billion outstanding under our revolving bank credit facility. We expect to continue to be highly leveraged in the foreseeable future.

Our level of indebtedness and preferred stock affects our operations in several ways, including the following:

a portion of our cash flows from operating activities must be used to service our indebtedness and pay dividends on our preferred stock and is not available for other purposes;

we may be at a competitive disadvantage as compared to similar companies that have less debt;

the covenants contained in the agreements governing our outstanding indebtedness and future indebtedness may limit our ability to borrow additional funds, pay dividends and make certain investments and may also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;

additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes may have higher costs and more restrictive covenants;

changes in the credit ratings of our debt may negatively affect the cost, terms, conditions and availability of future financing, and lower ratings will increase the interest rate and fees we pay on our revolving bank credit facility; and

we may be more vulnerable to general adverse economic and industry conditions.

We may incur additional debt, including significant secured indebtedness, or issue additional series of preferred stock in order to make future acquisitions or to develop our properties. A higher level of indebtedness and/or additional preferred stock increases the risk that we may default on our obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. General economic conditions, oil and gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control. We may not be able to generate sufficient cash flow to pay the interest on our debt, and future working capital, borrowings or equity financing may not be available to pay or refinance such debt. Factors that will affect our ability to raise cash through an offering of our capital stock or a refinancing of our debt include financial market conditions, the value of our assets and our performance at the time we need capital.

In addition, our bank borrowing base is subject to periodic redetermination. A lowering of our borrowing base could require us to repay indebtedness in excess of the borrowing base, or we might need to further secure the lenders with additional collateral.

Competition in the oil and natural gas industry is intense, and many of our competitors have greater financial and other resources than we do.

We operate in the highly competitive areas of oil and natural gas acquisition, development, exploitation, exploration and production. We face intense competition from both major and other independent oil and natural gas companies in each of the following areas:

seeking to acquire desirable producing properties or new leases for future exploration; and

seeking to acquire the equipment and expertise necessary to develop and operate our properties.

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Many of our competitors have financial and other resources substantially greater than ours, and some of them are fully integrated oil companies. These companies may be able to pay more for development prospects and productive oil and natural gas properties and may be able to define, evaluate, bid for and

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purchase a greater number of properties and prospects than our financial or human resources permit. Our ability to develop and exploit our oil and natural gas properties and to acquire additional properties in the future will depend upon our ability to successfully conduct operations, evaluate and select suitable properties and consummate transactions in this highly competitive environment.

Significant capital expenditures are required to replace our reserves.

Our exploration, development and acquisition activities require substantial capital expenditures. Historically, we have funded our capital expenditures through a combination of cash flows from operations, our revolving bank credit facility and debt and equity issuances. Future cash flows are subject to a number of variables, such as the level of production from existing wells, prices of oil and gas, and our success in developing and producing new reserves. If revenues were to decrease as a result of lower oil and gas prices or decreased production, and our access to capital were limited, we would have a reduced ability to replace our reserves. If our cash flow from operations is not sufficient to fund our capital expenditure budget, we may not be able to access additional bank debt, debt or equity or other methods of financing on an economic basis to meet these requirements.

If we are not able to replace reserves, we may not be able to sustain production.

Our future success depends largely upon our ability to find, develop or acquire additional oil and gas reserves that are economically recoverable. Unless we replace the reserves we produce through successful development, exploration or acquisition activities, our proved reserves and production will decline over time. In addition, approximately 35% of our total estimated proved reserves (by volume) at December 31, 2005 were undeveloped. By their nature, estimates of undeveloped reserves are less certain. Recovery of such reserves will require significant capital expenditures and successful drilling operations. Our reserve estimates reflect that our production rate on producing properties will decline approximately 24% from 2006 to 2007. Thus, our future oil and natural gas reserves and production and, therefore, our cash flow and income are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional recoverable reserves.

The actual quantities and present value of our proved reserves may prove to be lower than we have estimated.

This prospectus and the documents incorporated by reference herein contain estimates of our proved reserves and the estimated future net revenues from our proved reserves. These estimates are based upon various assumptions, including assumptions required by the SEC relating to oil and gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The process of estimating oil and gas reserves is complex. The process involves significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. Therefore, these estimates are inherently imprecise.

Actual future production, oil and gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves most likely will vary from these estimates. Such variations may be significant and could materially affect the estimated quantities and present value of our proved reserves. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development drilling, prevailing oil and gas prices and other factors, many of which are beyond our control. Our properties may also be susceptible to hydrocarbon drainage from production by operators on adjacent properties.

At December 31, 2005, approximately 35% of our estimated proved reserves (by volume) were undeveloped. Recovery of undeveloped reserves requires significant capital expenditures and successful drilling operations. These reserve estimates include the assumption that we will make significant capital

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expenditures to develop the reserves, including approximately \$1.8 billion in 2006. You should be aware that the estimated costs may not be accurate, development may not occur as scheduled and results may not be as estimated.

You should not assume that the present values referred to in this prospectus and the documents incorporated by reference herein represent the current market value of our estimated oil and gas reserves. In accordance with SEC requirements, the estimates of our present values are based on prices and costs as of the date of the estimates. The December 31, 2005 present value is based on weighted average oil and natural gas wellhead prices of \$56.41 per barrel of oil and \$8.76 per mcf of natural gas. Actual future prices and costs may be materially higher or lower than the prices and costs as of the date of an estimate.

Any changes in consumption by oil and natural gas purchasers or in governmental regulations or taxation will also affect actual future net cash flows.

The timing of both the production and the expenses from the development and production of oil and gas properties will affect both the timing of actual future net cash flows from our proved reserves and their present value. In addition, the 10% discount factor, which is required by the SEC to be used in calculating discounted future net cash flows for reporting purposes, is not necessarily the most accurate discount factor. The effective interest rate at various times and the risks associated with our business or the oil and natural gas industry in general will affect the accuracy of the 10% discount factor.

Acquisitions may prove to be worth less than we paid because of uncertainties in evaluating recoverable reserves and potential liabilities.

Our recent growth is due in large part to acquisitions of exploration and production companies, producing properties and undeveloped leasehold. We expect acquisitions will also contribute to our future growth. Successful acquisitions require an assessment of a number of factors, including estimates of recoverable reserves, exploration potential, future oil and gas prices, operating costs and potential environmental and other liabilities. Such assessments are inexact and their accuracy is inherently uncertain. In connection with our assessments, we perform a review of the acquired properties which we believe is generally consistent with industry practices. However, such a review will not reveal all existing or potential problems. In addition, our review may not permit us to become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. We do not inspect every well. Even when we inspect a well, we do not always discover structural, subsurface and environmental problems that may exist or arise. We are generally not entitled to contractual indemnification for preclosing liabilities, including environmental liabilities. Normally, we acquire interests in properties on an as is basis with limited remedies for breaches of representations and warranties. As a result of these factors, we may not be able to acquire oil and gas properties that contain economically recoverable reserves or be able to complete such acquisitions on acceptable terms.

As new owners, we may not effectively consolidate and integrate acquired operations, particularly when we make significant acquisitions outside our historical operating areas.

Significant acquisitions present operational and administrative challenges that may prove more difficult than anticipated. The failure to consolidate functions and integrate procedures, personnel and operations in an effective and timely manner may adversely affect our business and results of operations, at least temporarily. Significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties, which may have substantially different operating and geological characteristics or be in different geographic locations than our existing properties. To the extent that we acquire properties

substantially different from the properties in our primary operating areas or acquire properties that require different technical expertise, we may not be able to realize the economic benefits of these acquisitions as efficiently as in our prior acquisitions.

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Exploration and development drilling may not result in commercially productive reserves.

We do not always encounter commercially productive reservoirs through our drilling operations. The new wells we drill or participate in may not be productive and we may not recover all or any portion of our investment in wells we drill or participate in. The seismic data and other technologies we use do not allow us to know conclusively prior to drilling a well that oil or gas is present or may be produced economically. The cost of drilling, completing and operating a well is often uncertain, and cost factors can adversely affect the economics of a project. Our efforts will be unprofitable if we drill dry wells or wells that are productive but do not produce enough reserves to return a profit after drilling, operating and other costs. Further, our drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

increases in the cost of, or shortages or delays in the availability of, drilling rigs and equipment;

unexpected drilling conditions;

title problems;

pressure or irregularities in formations;

equipment failures or accidents;

adverse weather conditions; and

compliance with environmental and other governmental requirements.

Future price declines may result in a write-down of our asset carrying values.

We utilize the full cost method of accounting for costs related to our oil and gas properties. Under this method, all such costs (for both productive and nonproductive properties) are capitalized and amortized on an aggregate basis over the estimated lives of the properties using the unit-of-production method. However, these capitalized costs are subject to a ceiling test which limits such pooled costs to the aggregate of the present value of future net revenues attributable to proved oil and natural gas reserves discounted at 10% plus the lower of cost or market value of unproved properties. The full cost ceiling is evaluated at the end of each quarter using the prices for oil and gas at that date, adjusted for the impact of derivatives accounted for as cash flow hedges. A significant decline in oil and gas prices from current levels, or other factors, without other mitigating circumstances, could cause a future writedown of capitalized costs and a non-cash charge against future earnings.

At December 31, 2005, our net book value of oil and natural gas properties less deferred income taxes was below the calculated ceiling by approximately \$6.5 billion. From December 31, 2005 to September 30, 2006, spot natural gas prices decreased by approximately 59% from \$10.08 to \$4.18 per mcf. As a result, as of September 30, 2006, our ceiling test calculation indicated an impairment of our oil and natural gas properties of approximately \$415 million. However, natural gas prices subsequent to September 30, 2006 have improved sufficiently to eliminate this calculated impairment. As a result, we were not required to record

a write-down of our oil and natural gas properties under the full-cost method of accounting in the third quarter of 2006.

Our hedging activities may reduce the realized prices received for our oil and natural gas sales and require us to provide collateral for hedging liabilities.

In order to manage our exposure to price volatility in marketing our oil and gas, we enter into oil and gas price risk management arrangements for a portion of our expected production. Commodity price hedging may limit the prices we actually realize and therefore reduce oil and natural gas revenues in the future. The fair value of our oil and gas derivative instruments outstanding as of September 30, 2006 was an

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asset of approximately \$1.476 billion. In addition, our commodity price risk management transactions may expose us to the risk of financial loss in certain circumstances, including instances in which:

our production is less than expected;

there is a widening of price differentials between delivery points for our production and the delivery point assumed in the hedge arrangement; or

the counterparties to our contracts fail to perform under the contracts.

All but two of our commodity price risk management counterparties require us to provide assurances of performance in the event that the counterparties' mark-to-market exposure to us exceeds certain levels. Most of these arrangements allow us to minimize the potential liquidity impact of significant mark-to-market fluctuations by making collateral allocations from our revolving bank credit facility or directly pledging oil and gas properties, rather than posting cash or letters of credit with the counterparties. As of September 30, 2006, we had outstanding collateral allocations and pledges of oil and gas properties, with respect to commodity price risk management transactions but were not required to post any collateral with our counterparties through letters of credit issued under our revolving bank credit facility. As of November 30, 2006, we had outstanding transactions with thirteen counterparties, seven of which hold collateral allocations from our revolving bank credit facility or liens against certain oil and gas properties under our secured hedging facilities, and two of which do not require us to provide security for our risk management transactions. As of November 30, 2006, we were not required to post cash or letters of credit with the remaining four counterparties. Future collateral requirements are uncertain and will depend on the arrangements with our counterparties and highly volatile natural gas and oil prices.

Lower oil and gas prices could negatively impact our ability to borrow.

Our revolving bank credit facility limits our borrowings to the lesser of the borrowing base and the total commitments (currently both are \$2.5 billion). The borrowing base is determined periodically at the discretion of the banks and is based in part on oil and natural gas prices. Additionally, some of our indentures contain covenants limiting our ability to incur indebtedness in addition to that incurred under our revolving bank credit facility. These indentures limit our ability to incur additional indebtedness unless we meet one of two alternative tests. The first alternative is based on our adjusted consolidated net tangible assets (as defined in all of our indentures), which is determined using discounted future net revenues from proved oil and natural gas reserves as of the end of each year. The second alternative is based on the ratio of our adjusted consolidated EBITDA (as defined in the relevant indentures) to our adjusted consolidated interest expense over a trailing twelve-month period. As of the date of this prospectus, we are permitted to incur significant additional indebtedness under both of these debt incurrence tests. Lower oil and gas prices in the future could reduce our adjusted consolidated EBITDA, as well as our adjusted consolidated net tangible assets, and thus could reduce our ability to incur additional indebtedness.

Oil and natural gas drilling and producing operations can be hazardous and may expose us to environmental liabilities.

Oil and natural gas operations are subject to many risks, including well blowouts, cratering and explosions, pipe failure, fires, formations with abnormal pressures, uncontrollable flows of oil, natural gas, brine or well fluids, and other environmental hazards and risks. Our drilling operations involve risks from high pressures and from mechanical difficulties such as stuck pipes, collapsed casings and separated cables. If any of these risks occurs, we could sustain substantial losses as a result of:

injury or loss of life;

severe damage to or destruction of property, natural resources and equipment;

pollution or other environmental damage;

clean-up responsibilities;

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regulatory investigations and administrative, civil and criminal penalties; and

injunctions resulting in limitation or suspension of operations.

There is inherent risk of incurring significant environmental costs and liabilities in our exploration and production operations due to our generation, handling, and disposal of materials including wastes and petroleum hydrocarbons. We may incur joint and several, strict liability under applicable U.S. federal and state environmental laws in connection with releases of petroleum hydrocarbons and wastes on, under or from our leased or owned properties, some of which have been used for oil and natural gas exploration and production activities for a number of years, oftentimes by third parties not under our control. While we may maintain insurance against some, but not all, of the risks described above, our insurance may not be adequate to cover casualty losses or liabilities. Also, in the future we may not be able to obtain insurance at premium levels that justify its purchase.

In addition, in response to studies suggesting that emissions of certain gases may be contributing to warming of the Earth's atmosphere, many states are beginning to consider initiatives to track and record these gases, generally referred to as greenhouse gases, with several states having already adopted regulatory initiatives and one state, California, having adopted legislation aimed at reducing emissions of greenhouse gases. Methane, a primary component of natural gas, and carbon dioxide a byproduct of the burning of natural gas, are included among the types of gases targeted by greenhouse gas initiatives and laws. This movement is in its infancy but regulatory initiatives or legislation placing restrictions on emissions of methane or carbon dioxide that may be imposed in various states of the United States could adversely affect our operations and the demand for our products.

Risks Related to the Notes

Holders of the notes will be effectively subordinated to all of our and our subsidiaries' secured indebtedness.

Holders of our secured indebtedness, which is comprised primarily of the indebtedness under our revolving bank credit facility, have claims with respect to our assets constituting collateral for their indebtedness that are prior to your claims under the notes. In the event of a default on the notes or our bankruptcy, liquidation or reorganization, those assets would be available to satisfy obligations with respect to the indebtedness secured thereby before any payment could be made on the notes. Accordingly, the secured indebtedness would effectively be senior to the notes to the extent of the value of the collateral securing the indebtedness. While the indenture governing the notes places some limitations on our ability to create liens, there are significant exceptions to these limitations, including with respect to sale and leaseback transactions, that will allow us to secure indebtedness without equally and ratably securing the notes. To the extent the value of the collateral is not sufficient to satisfy the secured indebtedness, the holders of that indebtedness would be entitled to share with the holders of the notes and the holders of other claims against us with respect to our other assets. In addition, in certain circumstances a subsidiary may not be required to be, or may be delayed in becoming, a Subsidiary Guarantor. The notes will be structurally subordinated to any indebtedness of a subsidiary that is not a Subsidiary Guarantor.

A guarantee could be voided if the guarantor fraudulently transferred the guarantee at the time it incurred the indebtedness, which could result in the noteholders being able to rely on only us to satisfy claims.

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee can be voided, or claims under a guarantee may be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it

incurred the indebtedness evidenced by its guarantee:

intended to hinder, delay or defraud any present or future creditor or received less than reasonably equivalent value or fair consideration for the incurrence of the guarantee;

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was insolvent or rendered insolvent by reason of such incurrence;

was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they mature.

In addition, any payment by that guarantor under a guarantee could be voided and required to be returned to the guarantor or to a fund for the benefit of the creditors of the guarantor.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the governing law. Generally, a guarantor would be considered insolvent if:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they became absolute and mature; or

it could not pay its debts as they became due.

On the basis of historical financial information, recent operating history and other factors, we believe that the subsidiary guarantees are being incurred for proper purposes and in good faith and that each subsidiary guarantor, after giving effect to its guarantee of the notes, will not be insolvent, have unreasonably small capital for the business in which it is engaged or have incurred debts beyond its ability to pay those debts as they mature. We cannot be certain, however, that a court would agree with our conclusions in this regard.

You may find it difficult to sell your notes.

The notes will constitute a new issue of securities with no established public market. Although the underwriters have indicated that they intend to make a market in the notes, they are not obligated to do so and any of their market making activities may be terminated or limited at any time. In addition, although we have registered the offer and sale of the notes under the Securities Act of 1933 and intend to apply for a listing of the notes on the Irish Stock Exchange for trading on the Alternative Securities Market, there can be no assurance as to the liquidity of markets that may develop for the notes, the ability of noteholders to sell their notes or the prices at which notes could be sold. The notes may trade at prices that are lower than their initial purchase price depending on many factors, including prevailing interest rates and the markets for similar securities. The liquidity of trading markets for the notes may also be adversely affected by general declines or disruptions in the markets for debt securities. Those market declines or disruptions could adversely affect the liquidity of and market for the notes independent of our financial performance or prospects. An active market for the notes may not develop or, if developed, may not continue. In the absence of an active trading market, you may not be able to transfer the notes within the time or at the price you desire.

The notes lack some covenants typically found in other comparably rated public debt securities.

Although the notes are rated below investment grade by both Standard & Poor's and Moody's Investors Service, they lack the protection for holders of several financial and other restrictive covenants associated with several other series of our outstanding senior notes and typically associated with comparably rated public debt securities, including:

incurrence of additional indebtedness;

payment of dividends and other restricted payments;

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sale of assets and the use of proceeds therefrom;

transactions with affiliates; and

dividend and other payment restrictions affecting subsidiaries.

The principal amount of the notes and interest thereon contained in our financial statements may be adversely affected by fluctuations in the dollar/euro exchange rate.

Since our financial statements are presented in dollars, fluctuations in the dollar/euro exchange rate could adversely affect the principal amount of the notes and the amount of interest payments made on the notes reflected in our financial statements. Since the payments related to the notes will be made in euro, we will need to convert dollars into euro to make such payments, which could result in an increase or decrease in the dollar equivalent of interest payments on the notes depending on fluctuations in the exchange rate. In addition, because our financial results are reported in dollars, the outstanding principal amount of the notes will be reported in dollars based on the average exchange rate for the euro prevailing during the reporting period or the exchange rate at the end of that period. If such exchange rate declines, the amount of debt represented by the notes reflected in our financial statements in dollars will increase.

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USE OF PROCEEDS

We expect the net proceeds from this offering to be approximately 590.1 million (or approximately \$778.9 million based on a dollar/euro exchange rate of approximately \$1.32 to 1.00 as of November 30, 2006), after deducting underwriters' discounts and the estimated expenses of the offering payable by us. We intend to use the net proceeds from this offering to repay borrowings under our revolving bank credit facility, which may be reborrowed for general corporate purposes, including funding potential future acquisitions. Affiliates of certain of the underwriters in this offering are lenders under our existing revolving bank credit facility and may receive a portion of the proceeds from this offering. See Underwriting. As of September 30, 2006, the average interest rate on borrowings outstanding under our revolving bank credit facility was 6.53%.

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The following table shows our unaudited capitalization as of September 30, 2006:

on a historical basis; and

on a pro forma basis to reflect this offering.

This table should be read in conjunction with, and is qualified in its entirety by reference to, our historical financial statements and the accompanying notes included in our annual report on Form 10-K for the year ended December 31, 2005, and our quarterly report on Form 10-Q for the quarter ended September 30, 2006, which are incorporated by reference herein and included in Annex A and Annex B, respectively.

	As of September 30, 2006	
	Historical	Pro Forma
	(\$ in thousands)	
Cash and cash equivalents	\$ 716	\$ 716
Long-term debt:		
Revolving bank credit facility ⁽¹⁾	\$ 1,464,000	\$ 685,120
7.500% Senior Notes due 2013	363,823	363,823
7.625% Senior Notes due 2013	500,000	500,000
7.000% Senior Notes due 2014	300,000	300,000
7.500% Senior Notes due 2014	300,000	300,000
7.750% Senior Notes due 2015	300,408	300,408
6.375% Senior Notes due 2015	600,000	600,000
6.625% Senior Notes due 2016	600,000	600,000
6.875% Senior Notes due 2016	670,437	670,437
6.500% Senior Notes due 2017	1,100,000	1,100,000
6.250% Senior Notes due 2017 offered hereby		792,000 ⁽²⁾
6.250% Senior Notes due 2018	600,000	600,000
6.875% Senior Notes due 2020	500,000	500,000
2.750% Contingent Convertible Senior Notes due 2035	690,000	690,000
Interest rate derivatives	(23,621)	(23,621)
Discount, net of premium, on Senior Notes	(103,939)	(103,939)
Total long-term debt	\$ 7,861,108	\$ 7,874,228
Stockholders' equity:		
Preferred stock, \$0.01 par value, 20,000,000 authorized:		
5.00% Cumulative Convertible Preferred Stock (Series 2003), 38,625 shares issued and outstanding, entitled in liquidation to \$3.9 million	3,863	3,863
4.125% Cumulative Convertible Preferred Stock, 3,065 shares issued and outstanding, entitled in liquidation to \$3.1 million	3,065	3,065
5.00% Cumulative Convertible Preferred Stock (Series 2005), 4,600,000 shares issued and outstanding, entitled in liquidation to \$460.0 million	460,000	460,000
4.50% Cumulative Convertible Preferred Stock, 3,450,000 shares issued and outstanding, entitled in liquidation to \$345.0 million	345,000	345,000
	575,000	575,000

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5.00% Cumulative Convertible Preferred Stock (Series 2005B), 5,750,000 shares issued and outstanding, entitled in liquidation to \$575.0 million		
6.25% Mandatory Convertible Preferred Stock, 2,300,000 shares issued and outstanding, entitled in liquidation to \$575.0 million	575,000	575,000
Common stock, \$0.01 par value, 750,000,000 shares authorized, 437,859,397 issued and outstanding	4,379	4,379
Paid-in capital	4,899,634	4,899,634
Retained earnings	2,495,215	2,495,215
Accumulated other comprehensive income (loss), net of tax of (\$518,564,000)	862,241	862,241
Less: treasury stock, at cost; 1,306,528 common shares	(30,577)	(30,577)
	<hr/>	<hr/>
Total stockholders equity	\$ 10,192,820	\$ 10,192,820
	<hr/>	<hr/>
Total capitalization	\$ 18,053,928	\$ 18,067,048
	<hr/>	<hr/>

(1) As of November 30, 2006, we had outstanding borrowings of \$1.952 billion under our revolving bank credit facility.

(2) Based on an assumed public offering price of par and the dollar/euro exchange rate as of November 30, 2006 of approximately \$1.32 per 1.00.

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DESCRIPTION OF NOTES

Chesapeake Energy Corporation will issue the notes offered hereby (the Notes) under an indenture to be dated as of December 6, 2006 (the Indenture), among the Company, as issuer, the Subsidiary Guarantors, as guarantors, The Bank of New York Trust Company, N.A., as trustee (the Trustee), The Bank of New York, London Branch, as registrar, transfer agent and paying agent, and AIB/BNY Fund Management (Ireland) Limited, as Irish paying agent and transfer agent. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (the Trust Indenture Act).

The following description is only a summary of the material provisions of the Notes and the Indenture. These descriptions do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the Notes and the Indenture. You may request copies of the Indenture at our address set forth under the heading Where You Can Find More Information.

Certain terms used in this description are defined under the subheading Certain Definitions. In this description, the words Company, we and our refer only to Chesapeake Energy Corporation and not to any of its Subsidiaries.

General

The Company will issue the Notes initially with a maximum aggregate principal amount of 600 million. The Company is permitted to issue additional Notes under the Indenture in an unlimited aggregate principal amount (Add-On Notes). Any Add-On Notes that are actually issued will be treated as issued and outstanding Notes (as the same class as the initial Notes) for all purposes of the Indenture and this Description of Notes, unless the context indicates otherwise. Each Note will mature on January 15, 2017 and will bear interest at the rate of interest per annum indicated on the cover page of this prospectus.

Interest on the Notes issued in this offering will accrue from the Issue Date at an annual rate of 6.25%, payable semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2007. We will make each interest payment to the Holders of record of the Notes at the close of business on January 1 or July 1 preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal, premium, if any, and interest will be payable at the offices of the Trustee and the paying agents, provided that, at the option of the Company, payment of interest on Notes not in global form may be made by check mailed to the address of the Person entitled thereto as it appears in the register of the Notes maintained by the registrar. Initially, The Bank of New York, London Branch will act as registrar, transfer agent and paying agent for the Notes in London, England, and AIB/BNY Fund Management (Ireland) Limited will act as paying agent and transfer agent in Dublin, Ireland.

The Notes are unsecured senior obligations of the Company. The Notes rank pari passu in right of payment with all existing and future Senior Indebtedness of the Company and rank senior in right of payment to all future Subordinated Indebtedness of the Company.

Guarantees

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On the Issue Date, all the existing United States Subsidiaries, other than certain de minimis Subsidiaries, and one non-United States Subsidiary of the Company will fully and unconditionally guarantee, on a joint and several basis, the Company's obligations to pay principal of, premium, if any, and interest on the Notes. The Indenture provides that each Person that becomes a United States Subsidiary after the Issue Date and guarantees any other Indebtedness of the Company or a Subsidiary Guarantor in excess of a De Minimis Guaranteed Amount will guarantee the payment of the Notes within 180 days after the later of (i) the date it becomes a United States Subsidiary and (ii) the date it guarantees such other Indebtedness, provided that no guarantee shall be required if the Subsidiary merges into the Company or an existing Subsidiary Guarantor and the surviving entity remains a Subsidiary Guarantor.

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The obligations of each Subsidiary Guarantor under its Guarantee will be limited as necessary to prevent that Guarantee from constituting a fraudulent conveyance or fraudulent transfer under federal, state or non-United States law. Each Subsidiary Guarantor that makes a payment or distribution under a Guarantee shall be entitled to a contribution from each other Subsidiary Guarantor in a pro rata amount based on the respective net assets of each Subsidiary Guarantor at the time of such payment determined in accordance with GAAP.

If a Guarantee were rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Guarantee could be reduced to zero. Please read Risk Factors Risks Related to the Notes A guarantee could be voided if the guarantor fraudulently transferred the guarantee at the time it incurred the indebtedness, which could result in the noteholders being able to rely on only us to satisfy claims.

Subject to the next succeeding paragraph, no Subsidiary Guarantor may consolidate or merge with or into (whether or not such Subsidiary Guarantor is the surviving Person) another Person unless:

- (1) the Person formed by or surviving any such consolidation or merger (if other than such Subsidiary Guarantor) assumes all the obligations of such Subsidiary Guarantor under the Indenture and the Notes pursuant to a supplemental indenture, in a form reasonably satisfactory to the Trustee, and
- (2) immediately after such transaction, no Default or Event of Default exists.

The preceding does not prohibit a merger between Subsidiary Guarantors or a merger between the Company and a Subsidiary Guarantor. In the event of a sale or other disposition of all or substantially all of the assets of any Subsidiary Guarantor, or a sale or other disposition of all the Capital Stock of such Subsidiary Guarantor, in any case whether by way of merger, consolidation or otherwise, then such Subsidiary Guarantor (in the event of a sale or other disposition by way of such a merger, consolidation or otherwise, of all of the Capital Stock of such Subsidiary Guarantor) or the Person acquiring the assets (in the event of a sale or other disposition of all or substantially all of the assets of such Subsidiary Guarantor) will be released and relieved of any obligations under its Guarantee. Further, a Subsidiary Guarantor will be released and relieved from any obligations under its Guarantee if it ceases to guarantee any other Indebtedness of the Company or any other Subsidiary Guarantor other than a De Minimis Guaranteed Amount.

Ranking

Senior Indebtedness versus Notes. The Indebtedness evidenced by the Notes and the Guarantees will be unsecured and will rank pari passu in right of payment to all Senior Indebtedness of the Company and the Subsidiary Guarantors, as the case may be.

As of September 30, 2006, the Company and the Subsidiary Guarantors had approximately \$8.0 billion in principal amount of Senior Indebtedness outstanding, \$1.5 billion of which was secured indebtedness under our revolving bank credit facility. Upon completion of this offering, and the ultimate application of the net proceeds therefrom as described under Use of Proceeds, we would have had, on a pro forma basis as of September 30, 2006, approximately \$8.0 billion in principal amount of Senior Indebtedness outstanding, \$685.1 million of which would have been secured. As of November 30, 2006, we had outstanding borrowings of \$1.952 billion under our revolving bank credit facility.

The Notes will be unsecured obligations of the Company. Secured debt and other secured obligations of the Company and the Subsidiary Guarantors (including obligations with respect to our revolving bank credit facility) will be effectively senior to the Notes to the extent of the value of the assets securing such debt or other obligations.

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Liabilities of Subsidiaries versus Notes. A substantial portion of the Company's operations is conducted through its Subsidiaries. Claims of creditors of any Subsidiaries that are not Subsidiary Guarantors, including trade creditors and creditors holding indebtedness or guarantees issued by such Subsidiaries, and claims of preferred stockholders of such Subsidiaries will have priority with respect to the assets and earnings of such Subsidiaries over the claims of the Company's creditors, including Holders of the Notes. Accordingly, the Notes will be effectively subordinated to creditors (including trade creditors) and preferred stockholders, if any, of Subsidiaries that are not Subsidiary Guarantors.

Although the Indenture limits the incurrence of certain secured Indebtedness by the Company's Subsidiaries, such limitations are subject to a number of significant qualifications and the Indenture does not limit the incurrence of unsecured Indebtedness.

Make-Whole Redemption

At any time prior to the Maturity Date, the Company may, at its option, redeem all or any portion of the Notes at the Make-Whole Price plus accrued and unpaid interest to the date of redemption.

Redemption Upon Changes in Withholding Taxes

If, as a result of:

- (a) any amendment to, or change in, the laws (or regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined below under **Payment of Additional Amounts**); or
- (b) any change in the official application or the official interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice) (each of the foregoing in clauses (a) and (b), a **Change in Tax Law**),

the Company, any Subsidiary Guarantor or any Successor (as defined below under **Certain Covenants Limitations on Mergers and Consolidations**) would be obligated to pay, on the next date for any payment, **Additional Amounts**, as described below under **Payment of Additional Amounts**, which the Company, such Subsidiary Guarantor or such Successor cannot avoid by the use of reasonable measures available to it (including making payment through a paying agent located in another jurisdiction), then the Company or the Successor, as the case may be, may redeem all, but not less than all, of the Notes at any time after such amendment or change, upon not less than 30 nor more than 60 days' notice, at a redemption price of 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. In the case of the United States or any other jurisdiction that is a Relevant Taxing Jurisdiction on the Issue Date, the applicable **Change in Tax Law** must become effective on or after the date of this prospectus. In the case of a jurisdiction that becomes a Relevant Taxing Jurisdiction after the Issue Date, the applicable **Change in Tax Law** must become effective after the date that such jurisdiction becomes a Relevant Taxing Jurisdiction.

Prior to the giving of any notice of redemption described in this paragraph, the Company or the Successor, as the case may be, will deliver to the Trustee:

- (i) an officers certificate of the Company or the Successor, as the case may be, stating that the obligation to pay such Additional Amounts cannot be avoided by the Company, such Subsidiary Guarantor or such Successor taking reasonable measures available to it; and
- (ii) a written opinion of independent legal counsel of recognized standing addressed to the Company or the Successor, as the case may be, to the effect that the Company, such Subsidiary

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Guarantor or such Successor has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law described above.

Absent manifest error, the Trustee will accept such officers' certificate and opinion as sufficient evidence of the satisfaction of the conditions to a redemption upon a Change in Tax Law, including any changes in withholding taxes, in which event it will be conclusive and binding on the Holders of the Notes.

Notwithstanding the foregoing, no such notice will be given (a) earlier than 90 days prior to the earliest date on which the Company or the relevant Successor or Subsidiary Guarantor, as the case may be, would be obliged to pay such Additional Amounts if a payment were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

Payment of Additional Amounts

All payments that the Company or any Successor makes under or with respect to the Notes, or that any Subsidiary Guarantor makes with respect to any Guarantee, will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (collectively, "Taxes") imposed or levied by or on behalf of any jurisdiction in which the Company, or, if applicable, any Subsidiary Guarantor or any Successor, as the case may be, is incorporated, organized or otherwise resident for tax purposes or from or through which any of the foregoing makes any payment on the Notes or by any taxing authority therein or political subdivision thereof (each, as applicable, a "Relevant Taxing Jurisdiction"), unless the Company, such Subsidiary Guarantor or such Successor, as the case may be, is required to withhold or deduct Taxes by law or by the interpretation or administration of law. If the Company, a Subsidiary Guarantor or such Successor is required to withhold or deduct any amount for, or on account of, Taxes of a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes or any Guarantee, the Company, such Subsidiary Guarantor or such Successor, as the case may be, will pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the net amount received by each Holder of the Notes after such withholding or deduction will be not less than the amount the Holder would have received if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, neither the Company, any Subsidiary Guarantor nor any Successor will, however, be required to pay Additional Amounts to a Holder or beneficial owner of Notes in respect of or on account of:

- (a) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of the Holder's or beneficial owner's present or former connection with such Relevant Taxing Jurisdiction, including, without limitation, the Holder or beneficial owner being or having been a citizen, national, or resident, being or having been engaged in a trade or business, being, or having been, physically present in or having or having had a permanent establishment in a Relevant Taxing Jurisdiction (but not including, in each case, any connection arising from the mere receipt or holding of Notes or the receipt of payments thereunder or under a Guarantee or the exercise or enforcement of rights under any Notes or the Indenture or a Guarantee);
- (b) any Taxes that are imposed or levied by reason of the failure of the Holder or beneficial owner of Notes, following the written request of the Company, any Subsidiary Guarantor or any Successor (as the case may be) addressed to the Holder (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request) made in accordance with the notice procedures set forth in the Indenture, to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, Taxes imposed by the

Relevant Taxing Jurisdiction (including,

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without limitation, a certification that the Holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);

- (c) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;
- (d) any Tax that is payable otherwise than by withholding or deduction from payments made under or with respect to the Notes;
- (e) any Tax that is imposed or levied by reason of the presentation (where presentation is required in order to receive payment) of such Notes for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the beneficial owner or Holder thereof would have been entitled to Additional Amounts had the Notes been presented for payment on any date during such 30 day period;
- (f) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (g) any Tax that is imposed or levied on or with respect to a payment made to a Holder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the Notes to another paying agent in a Member State of the European Union; or
- (h) any combination of items (a) through (g) above.

Furthermore, Additional Amounts will not be paid with respect to the Notes to a Holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of the payment under or with respect to the Notes, to the extent that payment would be required by the laws of a Relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had it been the Holder of the Notes.

The Company, the relevant Subsidiary Guarantor or the relevant Successor, as the case may be, will (i) make such withholding or deduction as is required by applicable law and (ii) remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Company, any Subsidiary Guarantor or a Successor will be obligated to pay Additional Amounts with respect to such payment, the Company, the relevant Subsidiary Guarantor or the relevant Successor (as the case may be) will deliver to the Trustee an officers certificate stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to Holders on the payment date (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case such officers certificate shall be delivered promptly thereafter). The Company, the relevant Subsidiary Guarantor or the relevant Successor, as the case may be, will promptly publish a notice in accordance with the notice provisions set forth in the Indenture stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

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Upon written request, the Company, the relevant Subsidiary Guarantor or the relevant Successor, as the case may be, will furnish to the Trustee or to a Holder of the Notes copies of tax receipts evidencing the payment of any Taxes by the Company, such Guarantor or such Successor in such form as provided in

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the normal course by the taxing authority imposing such Taxes and as is reasonably available to the Company, such Subsidiary Guarantor or such Successor. If, notwithstanding the efforts of the Company, such Subsidiary Guarantor or such Successor to obtain such receipts, the same are not obtainable, the Company, such Subsidiary Guarantor or such Successor will provide the Trustee or such Holder with other evidence reasonably satisfactory to the Trustee or the Holder.

In addition, the Company, any Subsidiary Guarantor and any Successor, as the case may be, will pay any present or future stamp, issue, registration, court, documentation, excise or property taxes or other similar taxes, charges and duties, including interest and penalties with respect thereto, imposed by or in any Relevant Taxing Jurisdiction in respect of the execution, issue, enforcement or delivery of the Notes or any other document or instrument referred to thereunder (other than on or in connection with a transfer of the Notes other than the initial resale by the underwriters).

Whenever the Indenture, the Notes or this Description of Notes refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any Note or with respect to any Guarantee, such reference includes the payment of Additional Amounts, if applicable.

Change of Control

The Indenture provides that, following the occurrence of any Change of Control, unless the Company has exercised its right to redeem all of the Notes, the Company must offer to purchase all outstanding Notes at a purchase price equal to 101% of the aggregate principal amount of the Notes, plus accrued and unpaid interest to the date of purchase.

Within 15 days after any Change of Control, the Company will mail or cause to be mailed to all Holders on the date of the Change of Control a Notice (the Change of Control Notice) of the occurrence of such Change of Control and of the Holders' rights arising as a result thereof. The Change of Control Notice shall state, among other things:

- (1) that the change of control offer is being made pursuant to this covenant;
- (2) the purchase price and the change of control payment date;
- (3) that any Note not tendered will continue to accrue interest;
- (4) that any Note accepted for payment pursuant to the change of control offer shall cease to accrue interest on the change of control payment date; and
- (5) the instructions, consistent with the covenant described hereunder, that a Holder must follow in order to have such Holder's Notes purchased.

The change of control offer will be deemed to have commenced upon mailing of a notice pursuant to the Indenture and will terminate 20 business days after its commencement, unless a longer offering period is required by law. Promptly after the

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termination of the change of control offer, the Company will purchase and mail or deliver payment for all Notes tendered in response to the change of control offer.

On the change of control payment date, the Company will, to the extent lawful, (a) accept for payment Notes or portions thereof tendered pursuant to the change of control offer, (b) deposit with a paying agent an amount equal to the change of control payment in respect of all Notes or portions thereof so tendered and (c) deliver to the Trustee the Notes so accepted together with an officers certificate stating the Notes or portions thereof tendered to the Company. The paying agent will promptly mail or deliver to each Holder of Notes so accepted payment in an amount equal to the purchase price for such Notes, and the Trustee will promptly authenticate and mail or deliver to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any, provided that each such new Note will be in a principal amount of 50,000 or in any integral multiple of 1,000 in excess thereof.

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The Company will comply with Section 14 of the Exchange Act and the provisions of Regulation 14E and any other tender offer rules under the Exchange Act and any other U.S. federal and state securities laws, rules and regulations and other jurisdictions laws which may then be applicable to any change of control offer.

The Change of Control purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of the Company. The change of control purchase feature is a result of negotiations between the Company and the underwriters. The Company has no present intention to engage in a transaction involving a Change of Control, although it is possible that it could decide to do so in the future. Subject to the limitations discussed below, the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect the Company's capital structure or credit ratings. Restrictions on the Company's ability to incur additional Indebtedness are contained in the covenants described under **Certain Covenants Limitation on Liens** and **Limitation on Sale/Leaseback Transactions**. Under the Indenture, such restrictions can only be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture does not contain any covenants or provisions that may afford Holders of the Notes protection in the event of a highly leveraged transaction.

Future indebtedness that the Company may incur may contain prohibitions on the occurrence of certain events that would constitute a Change of Control or require the repurchase of such indebtedness upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to repurchase the Notes could cause a default under such indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. Finally, the Company's ability to pay cash to the Holders of Notes following the occurrence of a Change of Control may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The provisions under the Indenture relative to the Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the Holders of a majority in principal amount of the Notes.

Certain Covenants

The following restrictive covenants will be applicable to the Company and its Subsidiaries.

Limitation on Liens. The Company will not, and will not permit any Subsidiary to, create, incur or assume any Indebtedness secured by any Liens (other than Permitted Liens) upon any of the properties of the Company or any Subsidiary, unless the Notes or a Guarantee is equally and ratably secured; *provided* that if such Indebtedness is expressly subordinated to the Notes or a Guarantee, the Lien securing such Indebtedness will be subordinated and junior to the Lien securing the Notes or such Guarantee.

Limitation on Sale/Leaseback Transactions. The Company will not, and will not permit any Subsidiary to, enter into any Sale/Leaseback Transaction with any Person (other than the Company or any other Subsidiary) unless:

- (1) the Company or such Subsidiary would be entitled to incur secured Indebtedness, in a principal amount equal to the Attributable Indebtedness with respect to such Sale/Leaseback Transaction in accordance with the covenant captioned **Limitation on Liens**; or

- (2) the Company or such Subsidiary receives proceeds from such Sale/Leaseback Transaction at least equal to the fair market value thereof (as determined in good faith by the Company's Board of

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Directors, whose determination in good faith, evidenced by a resolution of such Board, shall be conclusive) and such proceeds are applied in accordance with the following two paragraphs:

The Company may apply Net Available Proceeds from such Sale/Leaseback Transaction, within 365 days following the receipt of Net Available Proceeds from the Sale/Leaseback Transaction, to:

- (1) the repayment of Indebtedness of the Company or a Subsidiary under Credit Facilities or other Senior Indebtedness, including any mandatory redemption or repurchase or make-whole redemption of the Existing Notes or the Notes;
- (2) make an Investment in assets used in the Oil and Gas Business; or
- (3) develop by drilling the Company's oil and gas reserves.

If, upon completion of the 365-day period, any portion of the Net Available Proceeds shall not have been applied by the Company as described in clauses (1), (2) or (3) in the immediately preceding paragraph and such remaining Net Available Proceeds, together with any remaining net cash proceeds from any prior Sale/Leaseback Transaction (such aggregate constituting Excess Proceeds), exceed \$40 million, then the Company will be obligated to make an offer (the Net Proceeds Offer) to purchase the Notes and any other Senior Indebtedness in respect of which such an offer to purchase is also required to be made concurrently with the Net Proceeds Offer having an aggregate principal amount (or, with respect to the Notes, an equivalent amount in dollars based on the Federal Reserve Bank of New York noon buying rate of euro on the second business day preceding such offer) equal to the Excess Proceeds (such purchase to be made on a pro rata basis if the amount available for such repurchase is less than the principal amount of the Notes and other such Senior Indebtedness tendered in such Net Proceeds Offer) at a purchase price of 100% of the principal amount thereof plus accrued interest to the date of repurchase. Upon the completion of the Net Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

Within 15 days after the Company becomes obligated to make a Net Proceeds Offer (a Net Proceeds Offer Triggering Event), the Company will mail or cause to be mailed to all Holders on the date of the Net Proceeds Offer Triggering Event a notice (the Offer Notice) of the occurrence of such Net Proceeds Offer Triggering Event and of the Holders' rights arising as a result thereof. The Offer Notice shall state, among other things:

- (1) that the offer is being made pursuant to this covenant;
- (2) that any Note not tendered will continue to accrue interest;
- (3) that any Note accepted for payment pursuant to the offer shall cease to accrue interest on the payment date; and
- (4) the instructions, consistent with this covenant, that a Holder must follow in order to have such Holder's Notes purchased.

The Net Proceeds Offer will be deemed to have commenced upon mailing of the Offer Notice and will terminate 20 business days after its commencement, unless a longer offering period is required by law. Promptly after the termination of the offer, the Company will purchase and mail or deliver payment for all Notes tendered in response to the offer.

On the payment date, the Company will, to the extent lawful, (a) accept for payment Notes or portions thereof tendered pursuant to the Net Proceeds Offer, (b) deposit with a paying agent an amount equal to the payment in respect of all Notes or portions thereof so tendered and (c) deliver to the Trustee the Notes so accepted together with an officers certificate stating the Notes or portions thereof tendered to the Company. The paying agent will promptly mail or deliver to each Holder of Notes so accepted

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payment in an amount equal to the purchase price for such Notes, and the Trustee will promptly authenticate and mail or deliver to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any, *provided* that each such new Note will be in a principal amount of 50,000 or in any integral multiple of 1,000 in excess thereof.

The Company will comply with Section 14 of the Exchange Act and the provisions of Regulation 14E and any other tender offer rules under the Exchange Act and any other U.S. federal and state securities laws, rules and regulations and any laws of other jurisdictions which may then be applicable to any Net Proceeds Offer.

During the period between any Sale/Leaseback Transaction and the application of the Net Available Proceeds therefrom in accordance with this covenant, all Net Available Proceeds shall be maintained in a segregated account and shall be invested in Permitted Financial Investments.

Limitations on Mergers and Consolidations. The Company will not consolidate or merge with or into any Person, or sell, convey, lease or otherwise dispose of all or substantially all of its assets to any Person, unless:

- (1) the Person formed by or surviving such consolidation or merger (if other than the Company), or to which such sale, lease, conveyance or other disposition shall be made (collectively, the Successor), is a corporation, limited liability company or limited partnership organized and existing under the laws of the United States or any state thereof or the District of Columbia, or Canada or any province thereof, and the Successor assumes by supplemental indenture all of the obligations of the Company under the Indenture and under the Notes; *provided*, that unless the Successor is a corporation, a corporate co-issuer of the Notes will be added to the Indenture by such supplemental indenture; and
- (2) immediately before and after giving effect to such transaction, no Default or Event of Default exists.

SEC Reports. Notwithstanding that the Company may not be required to remain subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will file with the SEC and provide the Holders with annual reports and such information, documents and other reports specified in Sections 13 and 15(d) of the Exchange Act.

Certain Definitions

The following is a summary of certain defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms and for the definitions of capitalized terms used in this prospectus and not defined below.

Adjusted Consolidated Net Tangible Assets or *ACNTA* means, without duplication, as of the date of determination, (a) the sum of

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discounted future net revenue from proved oil and gas reserves of the Company and its Subsidiaries calculated in accordance with SEC guidelines before any U.S. state or federal income taxes, as estimated by petroleum engineers (which may include the Company's internal engineers) in a reserve report prepared as of the end of the Company's most recently completed fiscal year, as increased by, as of the date of determination, the discounted future net revenue of (A) estimated proved oil and gas reserves of the Company and its Subsidiaries attributable to any acquisition consummated since the date of such year-end reserve report and (B) estimated proved oil and gas reserves of the Company and its Subsidiaries attributable to extensions, discoveries and other additions and upward revisions of estimates of proved oil and gas reserves due to exploration, development or exploitation, production or other activities conducted or otherwise occurring since the date of such year-end

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reserve report which, in the case of sub-clauses (A) and (B), would, in accordance with standard industry practice, result in such increases as calculated in accordance with SEC guidelines (utilizing the prices utilized in such year-end reserve report), and decreased by, as of the date of determination, the discounted future net revenue of (C) estimated proved oil and gas reserves of the Company and its Subsidiaries produced or disposed of since the date of such year-end reserve report and (D) reductions in the estimated oil and gas reserves of the Company and its Subsidiaries since the date of such year-end reserve report attributable to downward revisions of estimates of proved oil and gas reserves due to exploration, development or exploitation, production or other activities conducted or otherwise occurring since the date of such year-end reserve report which, in the case of sub-clauses (C) and (D) would, in accordance with standard industry practice, result in such decreases as calculated in accordance with SEC guidelines (utilizing the prices utilized in such year-end reserve report); *provided* that, in the case of each of the determinations made pursuant to clauses (A) through (D), such increases and decreases shall be as estimated by the Company's engineers,

- (2) the capitalized costs that are attributable to oil and gas properties of the Company and its Subsidiaries to which no proved oil and gas reserves are attributable, based on the Company's books and records as of a date no earlier than the date of the Company's latest annual or quarterly financial statements,
- (3) the Net Working Capital on a date no earlier than the date of the Company's latest annual or quarterly financial statements and
- (4) the greater of (A) the net book value on a date no earlier than the date of the Company's latest annual or quarterly financial statements and (B) the appraised value, as estimated by independent appraisers, of other tangible assets (including Investments in unconsolidated Subsidiaries) of the Company and its Subsidiaries, as of a date no earlier than the date of the Company's latest audited financial statements,

minus (b) the sum of

- (1) minority interests,
- (2) any gas balancing liabilities of the Company and its Subsidiaries reflected as a long-term liability in the Company's latest annual or quarterly financial statements,
- (3) the discounted future net revenue, calculated in accordance with SEC guidelines (utilizing the prices utilized in the Company's year-end reserve report), attributable to reserves which are required to be delivered to third parties to fully satisfy the obligations of the Company and its Subsidiaries with respect to Volumetric Production Payments on the schedules specified with respect thereto,
- (4) the discounted future net revenue, calculated in accordance with SEC guidelines, attributable to reserves subject to Dollar-Denominated Production Payments which, based on the estimates of production included in determining the discounted future net revenue specified in (a)(1) above (utilizing the same prices utilized in the Company's year-end reserve report), would be necessary to fully satisfy the payment obligations of the Company and its Subsidiaries with respect to Dollar-Denominated Production Payments on the schedules specified with respect thereto and
- (5) the discounted future net revenue, calculated in accordance with SEC guidelines (utilizing the same prices utilized in the Company's year-end reserve report), attributable to reserves subject to participation interests, overriding royalty interests or other interests of third parties, pursuant to participation, partnership, vendor financing or other agreements then in effect, or which otherwise are required to be delivered to third parties.

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If the Company changes its method of accounting from the full cost method to the successful efforts method or a similar method of accounting, ACNTA will continue to be calculated as if the Company were still using the full cost method of accounting.

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Affiliate of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, *control* when used with respect to any specified Person means the power to direct the management and policies of such Person directly or indirectly, whether through the ownership of voting stock, by contract or otherwise; and the terms *controlling* and *controlled* have meanings correlative to the foregoing.

Attributable Indebtedness means, with respect to any particular lease under which any Person is at the time liable and at any date as of which the amount thereof is to be determined, the present value of the total net amount of rent required to be paid by such Person under the lease during the primary term thereof, without giving effect to any renewals at the option of the lessee, discounted from the respective due dates thereof to such date at the rate of interest per annum implicit in the terms of the lease. As used in the preceding sentence, the *net amount of rent* under any lease for any such period shall mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates or similar charges. In the case of any lease which is terminable by the lessee upon payment of a penalty, such net amount of rent shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

Average Life means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing (a) the product of (x) the number of years from such date to the date of each successive scheduled principal payment of such Indebtedness multiplied by (y) the amount of such principal payment by (b) the sum of all such principal payments.

Capital Stock means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of corporate stock or partnership or limited liability company interests and any and all warrants, options and rights with respect thereto (whether or not currently exercisable), including each class of common stock and preferred stock of such Person.

Capitalized Lease Obligations of any Person means the obligations of such Person to pay rent or other amounts under a lease of property, real or personal, that is required to be capitalized for financial reporting purposes in accordance with GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

Change of Control means the occurrence of any of the following:

- (1) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the Company's assets to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), other than to Permitted Holders;
- (2) the adoption of a plan relating to the liquidation or dissolution of the Company;
- (3) the acquisition, directly or indirectly, by any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), other than Permitted Holders, of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act, except that such Person shall be deemed to have beneficial ownership of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after passage of time) of more than 50% of the aggregate voting power of the Voting Stock of the Company; provided, however, that the Permitted Holders beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, in the aggregate a lesser percentage of the total voting power of the

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Voting Stock of the Company than such other Person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company (for

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the purposes of this definition, such other Person shall be deemed to beneficially own any Voting Stock of a specified corporation held by a parent corporation, if such other Person is the beneficial owner (as defined above), directly or indirectly, of more than 35% of the voting power of the Voting Stock of such parent corporation and the Permitted Holders beneficially own (as defined in this proviso), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent corporation and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of such parent corporation); or

- (4) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of 66 ²/₃% of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office.

Credit Facilities means, one or more debt facilities (including, without limitation, the Company's existing credit facility) or commercial paper facilities, in each case with banks, investment banks, insurance companies, mutual funds and/or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from (or sell receivables to) such lenders against such receivables) or letters of credit, in each case, as amended, extended, restated, renewed, refunded, replaced or refinanced (in each case with Credit Facilities), supplemented or otherwise modified (in whole or in part and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time.

Currency Hedge Obligations means, at any time as to the Company and its Subsidiaries, the obligations of any such Person at such time that were incurred in the ordinary course of business pursuant to any non-dollar currency exchange agreement, option or futures contract or other similar agreement or arrangement designed to protect against or manage such Person's or any of its Subsidiaries' exposure to fluctuations in non-dollar currency exchange rates.

Default means any event which is, or after notice of passage of time would be, an Event of Default.

De Minimis Guaranteed Amount means a principal amount of Indebtedness that does not exceed \$5 million.

Disqualified Stock means any Capital Stock of the Company or any Subsidiary of the Company which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event or with the passage of time, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the Maturity Date or which is exchangeable or convertible into debt securities of the Company or any Subsidiary of the Company, except to the extent that such exchange or conversion rights cannot be exercised prior to the Maturity Date.

Dollar-Denominated Production Payments mean production payment obligations recorded as liabilities in accordance with GAAP, together with all undertakings and obligations in connection therewith.

European Government Obligations means (1) securities that are direct obligations of the Federal Republic of Germany for the payment of which its full faith and credit is pledged or (2) obligations of a person controlled or supervised by and acting as an

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agency or instrumentality of the Federal Republic of Germany, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the Federal Republic of Germany, which, in either case under clauses (1) or (2) are not callable or redeemable at the option of the issuer thereof.

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Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder.

Existing Notes means the Company's outstanding (a) 7.5% Senior Notes due 2013, (b) 7.625% Senior Notes due 2013, (c) 7.5% Senior Notes due 2014, (d) 7% Senior Notes due 2014, (e) 7.75% Senior Notes due 2015, (f) 6.375% Senior Notes due 2015, (g) 6.875% Senior Notes due 2016, (h) 6.625% Senior Notes due 2016, (i) 6.5% Senior Notes due 2017, (j) 6.25% Senior Notes due 2018, (k) 6.875% Senior Notes due 2020 and (l) 2.75% Contingent Convertible Senior Notes due 2035.

GAAP means generally accepted accounting principles as in effect in the United States of America as of the Issue Date.

Guarantee means, individually and collectively, the guarantees given by the Subsidiary Guarantors pursuant to Article Ten of the Indenture.

Holder means a Person in whose name a Note is registered on the registrar's books, which will initially be the nominee for the common depository of Euroclear or Clearstream, as applicable.

Indebtedness means, without duplication, with respect to any Person,

(a) all obligations of such Person

(1) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof),

(2) evidenced by bonds, notes, debentures or similar instruments,

(3) representing the balance deferred and unpaid of the purchase price of any property or services (other than accounts payable or other obligations arising in the ordinary course of business),

(4) evidenced by bankers' acceptances or similar instruments issued or accepted by banks,

(5) for the payment of money relating to a Capitalized Lease Obligation, or

(6) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit;

(b) all net obligations of such Person under Interest Rate Hedging Agreements, Oil and Gas Hedging Contracts, and Currency Hedge Obligations, except to the extent such net obligations are taken into account in the determination of future net revenues from

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proved oil and gas reserves for purposes of the calculation of Adjusted Consolidated Net Tangible Assets;

(c) all liabilities of others of the kind described in the preceding clauses (a) or (b) that such Person has guaranteed or that are otherwise its legal liability (including, with respect to any Production Payment, any warranties or guaranties of production or payment by such Person with respect to such Production Payment but excluding other contractual obligations of such Person with respect to such Production Payment);

(d) Indebtedness (as otherwise defined in this definition) of another Person secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person, the amount of such obligations being deemed to be the lesser of

(1) the full amount of such obligations so secured and

(2) the fair market value of such asset, as determined in good faith by the Board of Directors of such Person, which determination shall be evidenced by a resolution of such Board;

(e) with respect to such Person, the liquidation preference or any mandatory redemption payment obligations in respect of Disqualified Stock;

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(f) the aggregate preference in respect of amounts payable on the issued and outstanding shares of preferred stock of any of such Person's Subsidiaries in the event of any voluntary or involuntary liquidation, dissolution or winding up (excluding any such preference attributable to such shares of preferred stock that are owned by such Person or any of its Subsidiaries; *provided*, that if such Person is the Company, such exclusion shall be for such preference attributable to such shares of preferred stock that are owned by the Company or any of its Subsidiaries); and

(g) any and all deferrals, renewals, extensions, refinancings and refundings (whether direct or indirect) of, or amendments, modifications or supplements to, any liability of the kind described in any of the preceding clauses (a), (b), (c), (d), (e) or (f) or this clause (g), whether or not between or among the same parties.

Subject to clause (c) of the preceding sentence, neither Dollar-Denominated Production Payments nor Volumetric Production Payments shall be deemed to be Indebtedness.

Interest Rate Hedging Agreements means, with respect to the Company and its Subsidiaries, the obligations of such Persons under (a) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (b) other agreements or arrangements designed to protect any such Person or any of its Subsidiaries against fluctuations in interest rates.

Investment of any Person means (a) all investments by such Person in any other Person in the form of loans, advances or capital contributions, (b) all guarantees of Indebtedness or other obligations of any other Person by such Person, (c) all purchases (or other acquisitions for consideration) by such Person of assets, Indebtedness, Capital Stock or other securities of any other Person and (d) all other items that would be classified as investments (including, without limitation, purchases of assets outside the ordinary course of business) or advances on a balance sheet of such Person prepared in accordance with GAAP.

Issue Date means the first date on which the Notes are originally issued, December 6, 2006.

Lien means, with respect to any Person, any mortgage, pledge, lien, encumbrance, easement, restriction, covenant, right-of-way, charge or adverse claim affecting title or resulting in an encumbrance against real or personal property of such Person, or a security interest of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option, right of first refusal or other similar agreement to sell, in each case securing obligations of such Person and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statute or statutes) of any jurisdiction).

Make-Whole Amount with respect to a Note means an amount equal to the excess, if any, of (a) the present value of the remaining interest, premium and principal payments due on such Note (excluding any portion of such payments of interest accrued as of the redemption date) as if such Note were redeemed on the Maturity Date, computed using a discount rate equal to the Bund Rate plus 50 basis points, over (b) the outstanding principal amount of such Note. *Bund Rate* with respect to a Note means the yield to maturity (calculated on a semi-annual bond equivalent basis) at the time of the computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihe*) with a constant maturity (as compiled by and published in the most recent financial statistics that have become publicly available at least two business days prior to the date of the redemption notice or, if such financial statistics are no longer published, any publicly available source of similar market data) most nearly equal to the then remaining maturity of such Note assuming that such Note will be redeemed on the Maturity Date; *provided, however*, that if the Make-Whole Average Life of a Note is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany

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for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which

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such yields are given, except that if the Make-Whole Average Life of such Note is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

Make-Whole Average Life means, with respect to a Note, the number of years (calculated to the nearest one-twelfth of a year) between the date of redemption of such Note and the Maturity Date.

Make-Whole Price means the sum of the outstanding principal amount of the Notes to be redeemed plus the Make-Whole Amount of such Notes.

Maturity Date means January 15, 2017.

Moody's means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

Net Available Proceeds means, with respect to any Sale/Leaseback Transaction of any Person, cash proceeds received (including any cash proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, and excluding any other consideration until such time as such consideration is converted into cash) therefrom, in each case net of all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all U.S. federal, state or local taxes or taxes in other jurisdictions required to be accrued as a liability as a consequence of such Sale/Leaseback Transaction, and in each case net of all Indebtedness which is secured by such assets, in accordance with the terms of any Lien upon or with respect to such assets, or which must, by its terms or in order to obtain a necessary consent to such Sale/Leaseback Transaction or by applicable law, be repaid out of the proceeds from such Sale/Leaseback Transaction and which is actually so repaid.

Net Working Capital means (a) all current assets of the Company and its Subsidiaries, minus (b) all current liabilities of the Company and its Subsidiaries, except current liabilities included in Indebtedness.

Oil and Gas Business means the business of the exploration for, and exploitation, development, production, processing (but not refining), marketing, storage and transportation of, hydrocarbons, and other related energy and natural resource businesses (including oil and gas services businesses related to the foregoing).

Oil and Gas Hedging Contracts means any oil and gas purchase or hedging agreement, and other agreement or arrangement, in each case, that is designed to provide protection against price fluctuations of oil, gas or other commodities.

Permitted Company Refinancing Indebtedness means Indebtedness of the Company, the net proceeds of which are used to renew, extend, refinance, refund or repurchase outstanding Indebtedness of the Company, *provided* that

- (1) if the Indebtedness (including the Notes) being renewed, extended, refinanced, refunded or repurchased is pari passu with or subordinated in right of payment to the Notes, then such Indebtedness is pari passu or subordinated in right of payment to, as

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the case may be, the Notes at least to the same extent as the Indebtedness being renewed, extended, refinanced, refunded or repurchased,

- (2) such Indebtedness is scheduled to mature no earlier than the Indebtedness being renewed, extended, refinanced, refunded or repurchased, and
- (3) such Indebtedness has an Average Life at the time such Indebtedness is incurred that is equal to or greater than the Average Life of the Indebtedness being renewed, extended, refinanced, refunded or repurchased;

provided, further, that such Indebtedness (to the extent that such Indebtedness constitutes Permitted Company Refinancing Indebtedness) is in an aggregate principal amount (or, if such Indebtedness is

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issued at a price less than the principal amount thereof, the aggregate amount of gross proceeds therefrom is) not in excess of the aggregate principal amount then outstanding of the Indebtedness being renewed, extended, refinanced, refunded or repurchased (or if the Indebtedness being renewed, extended, refinanced, refunded or repurchased was issued at a price less than the principal amount thereof, then not in excess of the amount of liability in respect thereof determined in accordance with GAAP).

Permitted Financial Investments means the following kinds of instruments if, in the case of instruments referred to in clauses (1)-(4) below, on the date of purchase or other acquisition of any such instrument by the Company or any Subsidiary, the remaining term to maturity is not more than one year:

- (1) readily marketable obligations issued or unconditionally guaranteed as to principal of and interest thereon by the United States of America or by any agency or authority controlled or supervised by and acting as an instrumentality of the United States of America;
- (2) repurchase obligations for instruments of the type described in clause (1) for which delivery of the instrument is made against payment;
- (3) obligations (including, but not limited to, demand or time deposits, bankers' acceptances and certificates of deposit) issued by a depository institution or trust company incorporated or doing business under the laws of the United States of America, any state thereof or the District of Columbia or a branch or subsidiary of any such depository institution or trust company operating outside the United States, *provided*, that such depository institution or trust company has, at the time of the Company's or such Subsidiary's investment therein or contractual commitment providing for such investment, capital surplus or undivided profits (as of the date of such institution's most recently published financial statements) in excess of \$500,000,000;
- (4) commercial paper issued by any corporation, if such commercial paper has, at the time of the Company's or any Subsidiary's investment therein or contractual commitment providing for such investment, credit ratings of A-1 (or higher) by S&P and P-1 (or higher) by Moody's; and
- (5) money market mutual or similar funds having assets in excess of \$500,000,000.

Permitted Holders means Aubrey K. McClendon and his Affiliates.

Permitted Liens means

- (1) Liens existing on the Issue Date;
- (2) Liens securing Indebtedness under Credit Facilities;
- (3) Liens now or hereafter securing any obligations under Interest Rate Hedging Agreements so long as the related Indebtedness (a) constitutes the Existing Notes or the Notes (or any Permitted Company Refinancing Indebtedness in respect thereof) or (b) is, or is permitted to be under the Indenture, secured by a Lien on the same property securing such interest rate hedging obligations;

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- (4) Liens securing Permitted Company Refinancing Indebtedness or Permitted Subsidiary Refinancing Indebtedness; *provided*, that such Liens extend to or cover only the property or assets currently securing the Indebtedness being refinanced and that the Indebtedness being refinanced was not incurred under the Credit Facilities;
- (5) Liens for taxes, assessments and governmental charges not yet delinquent or being contested in good faith and for which adequate reserves have been established to the extent required by GAAP;
- (6) mechanics , worker s, materialmen s, operators or similar Liens arising in the ordinary course of business;
- (7) Liens in connection with worker s compensation, unemployment insurance or other social security, old age pension or public liability obligations;

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- (8) Liens, deposits or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases, public or statutory obligations, surety, stay, appeal, indemnity, performance or other similar bonds, or other similar obligations arising in the ordinary course of business;
- (9) survey exceptions, encumbrances, easements or reservations of, or rights of others for, rights of way, zoning or other restrictions as to the use of real properties, and minor defects in title which, in the case of any of the foregoing, were not incurred or created to secure the payment of borrowed money or the deferred purchase price of property or services, and in the aggregate do not materially adversely affect the value of such properties or materially impair use for the purposes of which such properties are held by the Company or any Subsidiaries;
- (10) Liens on, or related to, properties to secure all or part of the costs incurred in the ordinary course of business of exploration, drilling, development or operation thereof;
- (11) Liens on pipeline or pipeline facilities which arise out of operation of law;
- (12) judgment and attachment Liens not giving rise to an Event of Default or Liens created by or existing from any litigation or legal proceeding that are currently being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (13) (a) Liens upon any property of any Person existing at the time of acquisition thereof by the Company or a Subsidiary, (b) Liens upon any property of a Person existing at the time such Person is merged or consolidated with the Company or any Subsidiary or existing at the time of the sale or transfer of any such property of such Person to the Company or any Subsidiary, or (c) Liens upon any property of a Person existing at the time such Person becomes a Subsidiary; *provided*, that in each case such Lien has not been created in contemplation of such sale, merger, consolidation, transfer or acquisition, and *provided* that in each such case no such Lien shall extend to or cover any property of the Company or any Subsidiary other than the property being acquired and improvements thereon;
- (14) Liens on deposits to secure public or statutory obligations or in lieu of surety or appeal bonds entered into in the ordinary course of business;
- (15) Liens in favor of collecting or payor banks having a right of setoff, revocation, refund or chargeback with respect to money or instruments of the Company or any Subsidiary on deposit with or in possession of such bank;
- (16) purchase money security interests granted in connection with the acquisition of assets in the ordinary course of business and consistent with past practices, *provided*, that (A) such Liens attach only to the property so acquired with the purchase money indebtedness secured thereby and (B) such Liens secure only Indebtedness that is not in excess of 100% of the purchase price of such assets;
- (17) Liens reserved in oil and gas mineral leases for bonus or rental payments and for compliance with the terms of such leases;
- (18) Liens arising under partnership agreements, oil and gas leases, farm-out agreements, division orders, contracts for the sale, purchase, exchange, transportation or processing (but not refining) of oil, gas or other hydrocarbons, unitization and pooling declarations and agreements, development agreements, operating agreements, area of mutual interest agreements, and other similar agreements which are customary in the Oil and Gas Business;
- (19)

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Liens securing obligations of the Company or any of its Subsidiaries under Currency Hedge Obligations or Oil and Gas Hedging Contracts;

- (20) Liens to secure Dollar-Denominated Production Payments and Volumetric Production Payments; and
- (21) Liens securing other Indebtedness in an aggregate principal amount which, together with all other Indebtedness outstanding on the date of such incurrence and secured by Liens pursuant to this clause (21), does not exceed 15% of Adjusted Consolidated Tangible Net Assets.

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Permitted Subsidiary Refinancing Indebtedness means Indebtedness of any Subsidiary, the net proceeds of which are used to renew, extend, refinance, refund or repurchase outstanding Indebtedness of such Subsidiary, *provided* that

- (1) if the Indebtedness (including the Guarantees) being renewed, extended, refinanced, refunded or repurchased is *pari passu* with or subordinated in right of payment to the Guarantees, then such Indebtedness is *pari passu* with or subordinated in right of payment to, as the case may be, the Guarantees at least to the same extent as the Indebtedness being renewed, extended, refinanced, refunded or repurchased,
- (2) such Indebtedness is scheduled to mature no earlier than the Indebtedness being renewed, extended, refinanced, refunded or repurchased, and
- (3) such Indebtedness has an Average Life at the time such Indebtedness is incurred that is equal to or greater than the Average Life of the Indebtedness being renewed, extended, refinanced, refunded or repurchased;

provided, further, that such Indebtedness (to the extent that such Indebtedness constitutes Permitted Subsidiary Refinancing Indebtedness) is in an aggregate principal amount (or, if such Indebtedness is issued at a price less than the principal amount thereof, the aggregate amount of gross proceeds therefrom is) not in excess of the aggregate principal amount then outstanding of the Indebtedness being renewed, extended, refinanced, refunded or repurchased (or if the Indebtedness being renewed, extended, refinanced, refunded or repurchased was issued at a price less than the principal amount thereof, then not in excess of the amount of liability in respect thereof determined in accordance with GAAP).

Person means any individual, corporation, partnership, joint venture, trust, estate, unincorporated organization or government or any agency or political subdivision thereof.

Production Payments means, collectively, Dollar-Denominated Production Payments and Volumetric Production Payments.

S&P refers to Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor to the rating agency business thereof.

Sale/Leaseback Transaction means with respect to the Company or any of its Subsidiaries, any arrangement with any Person providing for the leasing by the Company or any of its Subsidiaries of any principal property, acquired or placed into service more than 180 days prior to such arrangement, whereby such property has been or is to be sold or transferred by the Company or any of its Subsidiaries to such Person.

Senior Indebtedness means any Indebtedness of the Company or a Subsidiary Guarantor (whether outstanding on the Issue Date or thereafter incurred), unless such Indebtedness is contractually subordinate or junior in right of payment of principal, premium and interest to the Notes or the Guarantees, respectively.

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Subordinated Indebtedness of a Subsidiary Guarantor means any Indebtedness of such Subsidiary Guarantor, whether outstanding on the Issue Date or thereafter created, incurred or assumed, which is contractually subordinate or junior in right of payment of principal, premium and interest to the Guarantees.

Subordinated Indebtedness of the Company means any Indebtedness of the Company, whether outstanding on the Issue Date or thereafter incurred, which is contractually subordinate or junior in right of payment of principal, premium and interest to the Notes.

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Subsidiary means any subsidiary of the Company. A subsidiary of any Person means

- (1) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more subsidiaries of such Person or by such Person and one or more subsidiaries of such Person,
- (2) a partnership in which such Person or a subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if such Person or its subsidiary is entitled to receive more than 50 percent of the assets of such partnership upon its dissolution, or
- (3) any other Person (other than a corporation or partnership) in which such Person, directly or indirectly, at the date of determination thereof, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

Subsidiary Guarantor means (a) each of the United States Subsidiaries on the Issue Date, other than Subsidiaries that are not guarantors of other Indebtedness of the Company in excess of a De Minimis Guaranteed Amount, (b) Chesapeake Eagle Canada Corp., a Canadian Subsidiary, and (c) each of the other Subsidiaries that becomes a guarantor of the Notes in compliance with the terms of the Indenture.

Volumetric Production Payments mean production payment obligations recorded as deferred revenue in accordance with GAAP, together with all undertakings and obligations in connection therewith.

Voting Stock means, with respect to any Person, securities of any class or classes of Capital Stock in such Person *entitling* the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of contingency) to vote in the election of members of the Board of Directors or other governing body of such Person.

Events of Default

The following will be Events of Default with respect to the Notes:

- (1) default by the Company or any Subsidiary Guarantor in the payment of principal of or premium, if any, on the Notes when due and payable at maturity, upon repurchase pursuant to the provisions described under *Change of Control* or pursuant to the covenant described under *Limitation on Sale/Leaseback Transactions*, upon acceleration or otherwise;
- (2) default by the Company or any Subsidiary Guarantor for 30 days in payment of any interest on the Notes;
- (3) default by the Company or any Subsidiary Guarantor in the deposit of any make-whole redemption payment;
- (4) default on any other Indebtedness of the Company, any Subsidiary Guarantor or any other Subsidiary if either

- (A) such default results in the acceleration of the maturity of any such Indebtedness having a principal amount of \$50.0 million or more individually or, taken together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, in the aggregate, or

- (B) such default results from the failure to pay when due principal of, premium, if any, or interest on, any such Indebtedness, after giving effect to any applicable grace period (a Payment Default), having a principal amount of \$50.0 million or more individually or, taken together with the principal amount of any other Indebtedness under which there has been a Payment Default, in the aggregate;

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provided that if any such default is cured or waived or any such acceleration is rescinded, or such Indebtedness is repaid, within a period of 30 days from the continuation of such default beyond any applicable grace period or the occurrence of such acceleration, as the case may be, such Event of Default and any consequent acceleration of the Notes shall be rescinded, so long as any such rescission does not conflict with any judgment or decree or applicable provision of law;

- (5) default in the performance, or breach of, the covenant set forth in the covenant captioned Limitations on Mergers and Consolidations, or in the performance, or breach of, any other covenant or agreement of the Company or any Subsidiary Guarantor in the Indenture and failure to remedy such default within a period of 45 days after written notice thereof from the Trustee or Holders of 25% of the principal amount of the outstanding Notes;
- (6) the entry by a court of one or more judgments or orders for the payment of money against the Company, any Subsidiary Guarantor or any other Subsidiary in an aggregate amount in excess of \$50.0 million (net of applicable insurance coverage by a third party insurer which is acknowledged in writing by such insurer) that has not been vacated, discharged, satisfied or stayed pending appeal within 60 days from the entry thereof;
- (7) the failure of a Guarantee by a Subsidiary Guarantor to be in full force and effect, or the denial or disaffirmance by such entity thereof; or
- (8) certain events involving bankruptcy, insolvency or reorganization of the Company or any Subsidiary of the Company.

The Indenture provides that the Trustee may withhold notice to the Holders of the Notes of any default (except in payment of principal of, or premium, if any, or interest on the Notes) if the Trustee considers it in the interest of the Holders of the Notes to do so.

If an Event of Default occurs and is continuing, the Trustee or the Holders of not less than 25% in principal amount of the Notes outstanding may declare the principal of and premium, if any, and accrued but unpaid interest on all the Notes to be due and payable. Upon such a declaration, such principal, premium, if any, and interest will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company or any Subsidiary of the Company occurs and is continuing, the principal of, and premium, if any, and interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders of the Notes. The amount due and payable on the acceleration of any Note will be equal to 100% of the principal amount of the Note, plus accrued and unpaid interest to the date of payment. Under certain circumstances, the Holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

No Holder of a Note may pursue any remedy under the Indenture unless

- (1) the Trustee shall have received written notice of a continuing Event of Default,
- (2) the Trustee shall have received a request from Holders of at least 25% in principal amount of the Notes to pursue such remedy,
- (3) the Trustee shall have been offered indemnity reasonably satisfactory to it,

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- (4) the Trustee shall have failed to act for a period of 60 days after receipt of such notice, request and offer of indemnity and
- (5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Notes;

provided, however, such provision does not affect the right of a Holder of any Note to sue for enforcement of any overdue payment thereon.

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The Holders of a majority in principal amount of the Notes then outstanding will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain limitations specified in the Indenture. The Indenture requires the annual filing by the Company with the Trustee of a written statement as to compliance with the covenants contained in the Indenture.

Modification and Waiver

Supplements and amendments to the Indenture or the Notes may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of a majority in principal amount of the Notes then outstanding; *provided* that no such modification or amendment may, without the consent of the Holder of each Note then outstanding affected thereby,

- (1) reduce the percentage of principal amount of Notes whose Holders must consent to an amendment or supplement;
- (2) reduce the rate or change the time for payment of interest, including default interest, on any Note;
- (3) reduce the principal amount of any Note or change the Maturity Date;
- (4) reduce the redemption price, including premium, if any, payable upon redemption of any Note or change the time at which any Note may or shall be redeemed;
- (5) reduce the purchase price payable upon the repurchase of any Note in connection with a Change of Control Offer or a Net Proceeds Offer, or change the time at which any Note may or shall be repurchased thereunder;
- (6) make any Note payable in money other than that stated in such Note;
- (7) impair the right to institute suit for the enforcement of any payment of principal of, or premium, if any, or interest on, any Note;
- (8) make any change in the percentage of principal amount of Notes necessary to waive compliance with certain provisions of the Indenture; or
- (9) waive a continuing Default or Event of Default in the payment of principal of, premium, if any, or interest on the Notes.

Supplements and amendments of the Indenture may be made by the Company, the Subsidiary Guarantors and the Trustee without the consent of any Holders of the Notes in certain limited circumstances, including

- (1) to cure any ambiguity, omission, defect or inconsistency,
- (2)

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to provide for the assumption of the obligations of the Company or any Subsidiary Guarantor under the Indenture upon the merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company or such Subsidiary Guarantor,

- (3) to reflect the release of any Subsidiary Guarantor from its Guarantee of the Notes, or the addition of any Subsidiary of the Company as a Subsidiary Guarantor, in the manner provided in the Indenture,
- (4) to comply with any requirement of the SEC in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act or
- (5) to make any change that would provide any additional benefit to the Holders or that does not adversely affect the rights of any Holder of the Notes in any material respect.

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The Holders of a majority in aggregate principal amount of the Notes then outstanding may waive any past default under the Indenture, except a default in the payment of principal, premium, if any, or interest.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding Notes (Legal Defeasance). Such Legal Defeasance means that the Company will be deemed to have paid and discharged the entire Indebtedness represented by such Notes, except for

- (1) the rights of Holders of the Notes to receive payments solely from the trust fund described in the following paragraph in respect of the principal of, premium, if any, and interest on the Notes when such payments are due,
- (2) the Company's obligations with respect to the Notes concerning the issuance of temporary Notes, transfers and exchanges of the Notes, replacement of mutilated, destroyed, lost or wrongfully taken Notes, the maintenance of an office or agency where the Notes may be surrendered for transfer or exchange or presented for payment, and duties of paying agents,
- (3) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's obligations in connection therewith and
- (4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company released with respect to certain covenants described under Certain Covenants (Covenant Defeasance), and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default. In the event Covenant Defeasance occurs, certain events (not including non-payment) described under Events of Default will no longer constitute an Event of Default. If we exercise our Legal Defeasance or Covenant Defeasance option, each Subsidiary Guarantor will be released from all its obligations under the Indenture and its Guarantee.

In order to exercise either Legal Defeasance or Covenant Defeasance under the Indenture,

- (1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in euro, European Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on the outstanding amount of the Notes on the Maturity Date or on the applicable redemption date, as the case may be, of such principal or installment of principal, premium, if any, or interest;
- (2) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of counsel confirming that
 - (a) the Company has received from or there has been published by, the Internal Revenue Service a ruling or

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- (b) since the date of the Indenture, there has been a change in the applicable U.S. Federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the Holders of the Notes will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- (3) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an opinion of counsel to the effect that the Holders of the Notes will not recognize income, gain or loss for U.S.

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Federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

- (4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;
- (5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which the Company is a party or by which the Company is bound;
- (6) the Company shall have delivered to the Trustee an officers certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of the Notes over other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and
- (7) the Company shall have delivered to the Trustee an officers certificate and an opinion of counsel each stating that the Company has complied with all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance.

Governing Law

The Indenture provides that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

The Trustee

The Bank of New York Trust Company, N.A. is the Trustee under the Indenture. The Bank of New York Trust Company, N.A. also serves as trustee for our 7.5% Senior Notes due 2013, our 7.625% Senior Notes due 2013, our 7% Senior Notes due 2014, our 7.5% Senior Notes due 2014, our 7.75% Senior Notes due 2015, our 6.375% Senior Notes due 2015, our 6.875% Senior Notes due 2016, our 6.625% Senior Notes due 2016, our 6.5% Senior Notes due 2017, our 6.25% Senior Notes due 2018, our 6.875% Senior Notes due 2020 and our 2.75% Contingent Convertible Senior Notes due 2035. We may also maintain banking and other commercial relationships with the Trustee and its affiliates in the ordinary course of business, and the Trustee may own our debt securities. The Trustee's address is 2 North LaSalle Street, Suite 1020, Chicago, Illinois 60602. The Company has also appointed the Trustee as the initial registrar and paying agent in the U.S. under the Indenture.

The Trustee is permitted to become an owner or pledgee of the Notes and may otherwise deal with the Company or its Subsidiaries or Affiliates with the same rights it would have if it were not Trustee. If, however, the Trustee acquires any conflicting interest (as defined in the Trust Indenture Act) after an Event of Default has occurred and is continuing, it must eliminate such conflict or resign.

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In case an Event of Default shall occur (and be continuing), the Trustee will be required to use the degree of care and skill of a prudent person in the conduct of such person's own affairs. The Trustee will be under no obligation to exercise any of its powers under the Indenture at the request of any of the Holders of the Notes, unless such Holders have offered the Trustee indemnity reasonably satisfactory to it.

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Book-Entry, Delivery and Form

General

Notes sold will be represented by one or more global notes in registered form without interest coupons attached (collectively, the Global Notes). The Notes will be issued in denominations of 50,000 and in any integral multiple of 1,000 in excess thereof. The Global Notes will be deposited with, or on behalf of, a common depository for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depository.

Ownership of interests in the Global Notes (the Book-Entry Interests) will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or Holders of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole Holders of Global Notes for all purposes under the indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of Holders under the Indenture.

Neither we nor the Trustee under the Indenture and neither the registrar nor the transfer agent will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominees), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants accounts on a

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proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of 50,000 principal amount or less may be redeemed in part.

Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium and interest, if any) to the common depositary or its nominee, which will distribute such

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payments to participants in accordance with their procedures. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, we and the Trustee will treat the registered Holders of the Global Notes (e.g., Euroclear or Clearstream (or their respective nominees)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we nor the Trustee nor any of our or its respective agents has or will have any responsibility or liability for:

any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to payments made on account of a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or

Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any Holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to owners of Book-Entry Interests in such Notes (the Euroclear/Clearstream Holders) through Euroclear and/or Clearstream in euro.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither we nor the Trustee nor the underwriters nor any of our or their respective agents will be liable to any Holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a Holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default, each of Euroclear and Clearstream reserves the right to exchange the relevant Global Notes for definitive registered Notes in certificated form (the Definitive Registered Notes), and to distribute Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

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Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

if Euroclear or Clearstream notifies us that it is unwilling or unable to continue as depository for the Global Note, and we fail to appoint a successor;

if Euroclear or Clearstream so requests following an event of default under the Indenture; or

if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised the issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the issuer issue or cause to be issued Definitive Registered Notes to all owners of Book-Entry Interests.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respectively customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests).

In the case of the issuance of Definitive Registered Notes, the Holder of a Definitive Registered Note may transfer such Note by surrendering it to the transfer agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the Holder, as applicable; provided that Definitive Registered Notes will be issued in denominations of 50,000 and in any integral multiple of 1,000 in excess thereof. We will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a Holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the registrar or at the office of a transfer agent, we will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's requirements are met. We or the Trustee may require a Holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee, any transfer agent or any paying agent appointed pursuant to the indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We may charge for its expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or wrongfully taken Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

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Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture.

Global Clearance and Settlement Under the Book-Entry System

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through depositary accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-Entry Interests held through Euroclear and Clearstream will be credited to the securities custody account of Euroclear and Clearstream Holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of the relevant depositary, and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information

We expect that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes for the Notes are set out under Listing and General Information Clearing Information.

Information Concerning Euroclear and Clearstream

The preceding description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the relevant settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

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We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

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DESCRIPTION OF CERTAIN OTHER INDEBTEDNESS

The following is a summary of certain of our indebtedness that will be outstanding following the consummation of this offering. To the extent this summary contains descriptions of our revolving bank credit facility, our 7.5% Senior Notes due 2013, our 7.625% Senior Notes due 2013, our 7% Senior Notes due 2014, our 7.5% Senior Notes due 2014, our 7.75% Senior Notes due 2015, our 6.375% Senior Notes due 2015, our 6.875% Senior Notes due 2016, our 6.625% Senior Notes due 2016, our 6.5% Senior Notes due 2017, our 6.25% Senior Notes due 2018, our 6.875% Senior Notes due 2020 and our 2.75% Contingent Convertible Senior Notes due 2035, and the indentures governing them, the descriptions do not purport to be complete and are qualified in their entirety by reference to those and related documents, copies of which we will provide you upon request.

Our Revolving Bank Credit Facility

Our revolving bank credit facility limits our borrowings to the lesser of the borrowing base and the total commitments (currently both are \$2.5 billion) and matures in February 2011. As of November 30, 2006, we had outstanding borrowings of \$1.952 billion under this facility and had \$6.165 million of the facility securing various letters of credit. Borrowings under the facility are collateralized by some of our producing oil and gas properties and bear interest at either (i) the greater of the reference rate of Union Bank of California N.A. or the U.S. federal funds effective rate plus 0.50% or (ii) the London Interbank Offered Rate (LIBOR), at our option, plus a margin that varies based on our senior unsecured long-term debt ratings. The collateral value and borrowing base are determined periodically. The unused portion of the facility is subject to an annual commitment fee that also varies according to our senior unsecured long-term debt ratings. As of September 30, 2006, the annual commitment fee rate was 0.25%. Interest is payable quarterly or, if LIBOR applies, it may be payable at more frequent intervals. The credit agreement contains various covenants and restrictive provisions, including those restricting our ability to incur additional indebtedness, make investments or loans and create liens. The credit agreement requires us to maintain an indebtedness to EBITDA ratio (as defined in the credit agreement) not to exceed 3.5 to 1 and an indebtedness to total capitalization ratio (as defined in the credit agreement) not to exceed 0.65 to 1.

Our Senior Notes

At September 30, 2006, we had outstanding senior notes in an aggregate principal amount of \$5.8 billion, which, together with our \$690 million aggregate principal amount of 2.75% Contingent Convertible Senior Notes due 2035, represented the remainder of our long-term debt. At the date of this prospectus, we have issued and outstanding \$363.8 million in principal amount of 7.5% Senior Notes due 2013, \$500 million in principal amount of 7.625% Senior Notes due 2013, \$300.0 million in principal amount of 7% Senior Notes due 2014, \$300.0 million in principal amount of 7.5% Senior Notes due 2014, \$300.4 million in principal amount of 7.75% Senior Notes due 2015, \$600.0 million in principal amount of 6.375% Senior Notes due 2015, \$670.4 million in principal amount of 6.875% Senior Notes due 2016, \$600.0 million principal amount of 6.625% Senior Notes due 2016, \$1.1 billion principal amount of 6.5% Senior Notes due 2017, \$600.0 million principal amount of 6.25% Senior Notes due 2018 and \$500.0 million principal amount of 6.875% Senior Notes due 2020. There are no scheduled principal payments required on any of these senior notes until their final maturities.

Our outstanding senior notes are senior, unsecured obligations that rank pari passu in right of payment with all of our existing and future senior indebtedness, including the notes offered hereby, and rank senior in right of payment to all of our future subordinated indebtedness. Our outstanding senior notes are fully and unconditionally guaranteed, jointly and severally, by certain of our United States subsidiaries and one of our non-United States subsidiaries.

Our existing senior note indentures (other than the indentures governing the 7.625% Senior Notes due 2013, the 6.50% Senior Notes due 2017 and the 6.875% Senior Notes due 2020) restrict our and our

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restricted subsidiaries' ability to incur additional indebtedness. Please read "Risk Factors - Risks Relating to Our Business - Lower oil and natural gas prices could negatively impact our ability to borrow." As of September 30, 2006, we estimate that secured bank indebtedness of \$5.4 billion could have been incurred within those restrictions. These restrictions under such indentures will not apply to any future unrestricted subsidiaries. There are no unrestricted subsidiaries under our indentures as of the date of this prospectus.

Our existing senior note indentures (other than the indentures governing the 7.625% Senior Notes due 2013, the 6.50% Senior Notes due 2017 and the 6.875% Senior Notes due 2020) also limit our ability to make restricted payments, including the payment of cash dividends, unless certain tests are met.

We also have issued and outstanding \$690 million aggregate principal amount of 2.75% Contingent Convertible Senior Notes due 2035 (the "Convertible Senior Notes"). The Convertible Senior Notes are senior unsecured obligations and rank pari passu in right of payment to all of our existing and future senior indebtedness, including the notes offered hereby, and rank senior in right of payment to all of our future subordinated indebtedness. The Convertible Senior Notes are guaranteed by certain of our existing United States subsidiaries and one of our non-United States subsidiaries and by certain of our future United States subsidiaries on a senior unsecured basis. The indenture governing the Convertible Senior Notes does not have any financial or restricted payment covenants.

The Convertible Senior Notes will be convertible, at the holder's option, prior to the maturity date under certain circumstances, using a net share settlement process, into cash and, in some circumstances, our common stock. In general, upon conversion of a Convertible Senior Note, the holder of such note will receive cash equal to the principal amount of the note and common stock for the note's conversion value in excess of such principal amount.

In addition, we will pay contingent interest on the Convertible Senior Notes during any six-month interest period, beginning with the six-month period ending May 14, 2016, under certain conditions.

The Convertible Senior Notes mature on November 15, 2035. We may redeem the Convertible Senior Notes, in whole at any time, or in part from time to time, on or after November 15, 2015 at a redemption price, payable in cash, of 100% of the principal amount of such notes, plus accrued and unpaid interest.

Holders of the Convertible Senior Notes may require us to repurchase all or a portion of their notes on November 15, 2015, 2020, 2025 and 2030 at 100% of the principal amount of the notes, plus accrued and unpaid interest, payable in cash. Upon a fundamental change, as defined in the indenture governing the Convertible Senior Notes, holders may require us to repurchase all or a portion of their notes, payable in cash equal to 100% of the principal amount of the notes plus accrued and unpaid interest.

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MATERIAL UNITED STATES FEDERAL TAX CONSIDERATIONS

General

The following discussion summarizes the material U.S. Federal income and certain estate tax consequences of the purchase, ownership and disposition of the notes by an initial holder of the notes who purchases the notes for cash at the original offering price, who holds the notes as capital assets (generally property held for investment) and who does not have a special tax status. This discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, and judicial decisions and administrative interpretations thereunder, as of the date hereof, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. We cannot assure you that the Internal Revenue Service (the IRS) will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the U.S. Federal tax consequences of purchasing, owning or disposing of the notes.

In this discussion, we do not purport to address all tax considerations that may be important to a particular holder in light of the holder's circumstances, or to certain categories of investors (such as financial institutions, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, persons who hold the notes through partnerships or other pass-through entities, regulated investment companies, real estate investment trusts, U.S. persons whose functional currency is not the U.S. dollar, persons liable for alternative minimum tax, U.S. expatriates or persons who hold the notes as part of a hedge, conversion transaction, straddle or other risk reduction transaction) that may be subject to special rules. This discussion also does not address the tax considerations arising under the laws of any foreign, state or local jurisdiction.

If a partnership (including an entity treated as a partnership for U.S. Federal income tax purposes) holds notes, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. If you are a partner of a partnership holding notes, we suggest that you consult your tax advisor.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE EFFECT AND APPLICABILITY OF STATE, LOCAL OR FOREIGN TAX LAWS.

Consequences to U.S. Holders

You are a U.S. holder for purposes of this discussion if you are a beneficial owner of notes and you are:

an individual U.S. citizen or resident alien;

a corporation, or other entity taxable as a corporation for U.S. Federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

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an estate whose world-wide income is subject to U.S. Federal income taxation; or

a trust that either is subject to the supervision of a court within the United States and which has one or more United States persons with authority to control all substantial decisions or has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

Because the notes provide for the payment of additional amounts under certain circumstances (see Description of Notes Make-Whole Redemption), the notes may be subject to U.S. Treasury Regulations applicable to debt instruments that provide for one or more contingent payments. Under such Treasury Regulations, if the payment of additional amounts on the notes is, as of the issue date, neither a remote contingency nor an incidental contingency, the U.S. federal income tax consequences to a

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U.S. holder would be different from those discussed below. We intend to take the position that the payment of additional amounts is a remote or incidental contingency. Our determination that such payments are a remote or incidental contingency for these purposes is binding on a U.S. holder unless such U.S. holder discloses to the IRS that it is taking a contrary position. It is possible, however, that the IRS may take a contrary position from that described above, in which case the tax consequences to a holder could differ materially and adversely from those described below. The remainder of this discussion assumes that the notes are not contingent payment debt instruments under the U.S. Treasury Regulations. Prospective investors should consult with their own tax advisors as to the tax consequences that relate to the possibility of additional payments.

Purchase of Notes

The conversion of U.S. dollars into euro and the immediate use of that currency to purchase notes generally will not result in taxable gain or loss. However, if you use previously acquired euro to purchase notes, you will generally recognize ordinary currency exchange gain or loss at the time of purchase. Such currency exchange gain or loss will generally be the difference between the U.S. dollar value of those euro based on the spot rate on the date the notes are purchased and your tax basis in those euro, which will generally be the U.S. dollar value of the euro based on the spot exchange rate on the date the euro were acquired by you. For purposes of this discussion, *spot rate* generally means a currency exchange rate that reflects a market exchange rate available to the public for cash.

Interest

Interest payable on the notes will generally be included in the gross income of a U.S. holder as ordinary interest income at the time it is accrued or received, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

If you are a cash method taxpayer (including most individual holders), you will be taxed on the U.S. dollar value of the euro you receive as interest when you receive them. The U.S. dollar value of the euro will be determined using the *spot rate* in effect at such time.

If you are an accrual method taxpayer, you will be taxed on the U.S. dollar value of the euro as the interest accrues on the notes. In determining the U.S. dollar value of the euro for this purpose, you may use the average euro exchange rate during the relevant interest accrual period (or, if that period spans two taxable years, during the portion of the interest accrual period in the relevant taxable year). The average rate for an accrual period (or partial period) is the simple average of the spot rates for each business day of such period, or other average exchange rate for the period reasonably derived and consistently applied by you. When interest is actually paid, you will generally also recognize currency exchange gain or loss, taxable as ordinary income or loss from sources within the United States, equal to the difference between (a) the value of the euro received as interest, as translated into U.S. dollars using the spot rate on the date of receipt, and (b) the U.S. dollar amount previously included in income with respect to such payment. If you do not wish to accrue interest income using the average exchange rate, certain alternative elections may be available.

Your tax basis in the euro you receive as interest will be the aggregate amount reported by you as income with respect to the receipt of the euro. If you subsequently sell those euro, additional tax consequences will apply as described in *Sale of euro*.

Disposition of the Notes

On the sale, exchange, redemption, retirement, or other taxable disposition of your notes:

If you receive proceeds on the disposition of your notes in the form of U.S. dollars, you will be considered to have received the principal in the form of euro and to have sold those euro for U.S. dollars.

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You will have taxable gain or loss equal to the difference between the amount realized by you (less any amount attributable to accrued but unpaid interest to the extent not previously included in income) and your tax basis in the notes. The amount realized on the disposition of your notes will generally be the U.S. dollar value of the euro you receive (or are considered to receive) based on the spot exchange rate on the date of disposition. Your tax basis in the notes is the U.S. dollar value of the amount in euro paid for the notes, determined on the date of purchase.

Any such gain or loss (except to the extent attributable to foreign currency gain or loss) will be capital gain or loss, and will be long term capital gain or loss if you held the notes for more than one year. Long term capital gain recognized by certain U.S. holders (including individuals) is currently subject to taxation at reduced rates. The deductibility of capital losses may be subject to limitations.

You will realize foreign currency gain or loss to the extent the U.S. dollar value of the euro that you paid for the notes, based on the spot rate at the time you dispose of the notes, is greater or less than the U.S. dollar value of the euro that you paid for the notes, based on the spot rate at the time you acquired the notes. Any resulting foreign currency gain or loss will be U.S.-source ordinary income or loss. You will only recognize such foreign currency gain or loss to the extent you have gain or loss, respectively, on the overall sale, retirement, or other disposition of the notes.

If you sell notes between interest payment dates, a portion of the amount you receive reflects interest that has accrued on the notes but has not yet been paid by the sale date. That amount is treated as ordinary interest income and not as sale proceeds.

Your tax basis in the euro you receive on sale or retirement of the notes will be the value of euro reported by you as received on the sale or retirement of the notes. If you receive euro on retirement of the notes and subsequently sell those euro, or if you are considered to receive euro on retirement of the notes and those euro are considered to be sold for U.S. dollars on your behalf, or if you sell the notes for euro and subsequently sell those euro, additional tax consequences will apply as described in Sale of euro.

Sale of euro

If you receive euro from the sale, exchange, redemption, retirement, or other taxable disposition of a note, and you later sell those euro (or euro you received as interest on the notes) for U.S. dollars, you will have taxable gain or loss equal to the difference between the amount of U.S. dollars received and your tax basis in the euro. Any such gain or loss is foreign currency gain or loss taxable as ordinary income or loss.

Consequences to Non-U.S. Holders

You are a non-U.S. holder for purposes of this discussion if you are a beneficial owner of notes (other than an entity treated as a partnership for U.S. Federal income tax purposes) and you are not a U.S. holder.

U.S. Federal Withholding Tax

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The 30% U.S. Federal withholding tax generally will not apply to any payment of principal or interest on the notes under the portfolio interest exemption provided that interest on the notes is not effectively connected with your conduct of a trade or business in the United States, you provide the appropriate certification, as described below, and:

you do not actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and applicable Treasury Regulations;

you are not a controlled non-U.S. corporation that is related to us (directly or indirectly) through stock ownership; and

you are not a bank whose receipt of interest on the notes is pursuant to a loan agreement entered into in the ordinary course of business.

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The exemption from withholding tax will not apply unless (a) you provide your name and address on an IRS Form W-8BEN (or successor form), and certify under penalties of perjury, that you are not a United States person, (b) a financial institution holding the notes on your behalf certifies, under penalties of perjury, that it has received an IRS Form W-8BEN (or successor form) from you and must provide us with a copy, or (c) you hold your notes directly through a qualified intermediary, and the qualified intermediary has sufficient information in its files indicating that you are not a U.S. holder. A qualified intermediary is a bank, broker or other intermediary that is acting out of a non-U.S. branch or office and has signed an agreement with the IRS providing that it will administer all or part of the U.S. Federal tax withholding rules under specified procedures.

If you cannot satisfy the requirements described above, payments of principal and interest made to you will be subject to the 30% U.S. Federal withholding tax, unless you provide us with a properly executed (1) IRS Form W-8BEN or successor form claiming an exemption from or a reduction of withholding under the benefit of a tax treaty or (2) IRS Form W-8ECI (or successor form) stating that interest paid on the notes is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States.

U.S. Federal Income Tax

Interest. If you are engaged in a trade or business in the United States and interest on the notes is effectively connected with the conduct of that trade or business (and, in the case of an applicable tax treaty, is attributable to a U.S. permanent establishment maintained by you), you will be subject to U.S. Federal income tax on the interest on a net income basis (although exempt from the 30% withholding tax) in the same manner as if you were a United States person as defined under the Code. In addition, if you are a non-U.S. corporation, you may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of your earnings and profits for the taxable year, including earnings and profits from an investment in the notes, that are effectively connected with the conduct by you of a trade or business in the United States.

Sale, Exchange, Redemption or Other Disposition of the Notes. Any gain or income realized on the sale, exchange, redemption or other disposition of the notes generally will not be subject to U.S. Federal income tax unless:

that gain or income is effectively connected with the conduct of a trade or business in the United States by you (and, in the case of an applicable tax treaty, is attributable to a U.S. permanent establishment maintained by you),

you are an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are present, or

the gain represents accrued interest, in which case the rules for taxation of interest would apply.

If you are a holder subject to U.S. Federal income tax under the first bullet point, you will be taxed on a net income basis in the same manner as if you were a United States person as defined under the Code. In addition, if you are a non-U.S. corporation, you may be subject to a branch profits tax as explained above. Holders subject to U.S. Federal income tax under the second bullet point will be taxed on the net gain at a 30% rate.

U.S. Federal Estate Tax

Your estate will not be subject to U.S. Federal estate tax on notes beneficially owned by you at the time of your death, provided that interest on the notes is exempt from U.S. Federal withholding tax under the portfolio interest exemption (without regard to the certification requirement) described in the first paragraph of Consequences to Non-U.S. Holders U.S. Federal Withholding Tax above.

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Backup Withholding and Information Reporting

U.S. Holders

Information reporting will apply to payments of principal and interest made by us on, or the proceeds of the sale or other disposition of, the notes with respect to certain noncorporate U.S. holders, and backup withholding, currently at a rate of 28%, may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. holder's U.S. Federal income tax liability, provided the required information is timely provided to the IRS.

Non-U.S. Holders

Payments to you of interest on a note and amounts withheld from such payments, if any, generally will be reported to the IRS and you. Backup withholding will not apply to payments of principal and interest on the notes if you certify as to your non-U.S. holder status on an IRS Form W-8BEN (or successor form) under penalties of perjury or you otherwise qualify for an exemption (provided that neither we nor our agent know or have reason to know that you are a United States person or that the conditions of any other exemptions are not in fact satisfied).

The payment of the proceeds of the disposition of notes to or through the U.S. office of a U.S. or non-U.S. broker will be subject to information reporting and backup withholding unless you provide the certification described above or you otherwise qualify for an exemption. The proceeds of a disposition effected outside the United States by a non-U.S. holder to or through a non-U.S. office of a broker generally will not be subject to backup withholding or information reporting. However, if such broker is a United States person, a controlled non-U.S. corporation, a non-U.S. person 50% or more of whose gross income from all sources for certain periods is effectively connected with a trade or business in the United States, or a non-U.S. partnership that is engaged in the conduct of a trade or business in the United States or that has one or more partners that are United States persons who in the aggregate hold more than 50% of the income or capital interests in the partnership, information reporting requirements will apply unless such broker has documentary evidence in its files of the holder's non-U.S. status and has no actual knowledge or reason to know to the contrary or unless the holder otherwise qualifies for an exemption. Any amount withheld under the backup withholding rules is allowable as a credit against your U.S. Federal income tax liability, if any, provided the required information or appropriate claim for refund is provided to the IRS.

EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

On June 3, 2003, the Council of the EU adopted the Directive on the taxation of savings income pursuant to which a Member State is generally required to provide the tax authorities of another Member State with details on payments of interest or other similar income paid by a person within its jurisdiction to or for an individual resident in the other Member State. Exceptionally (and for a transitional period only, which will end after agreement on exchange of information has been reached between the EU and certain non-EU States), Belgium, Luxembourg and Austria will, instead, be required to withhold tax from such payments unless bondholders either authorize the person making the payment to report the payment as described above or present a certificate

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from the relevant tax authority establishing exemption therefrom. The Directive applies since July 1, 2005.

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We, the subsidiary guarantors, and the underwriters for the offering named below have entered into an underwriting agreement with respect to the notes. Subject to certain conditions, each underwriter has severally agreed to purchase the principal amount of notes indicated in the following table.

Underwriters	Principal Amount of Notes
Barclays Bank PLC	150,000,000
Credit Suisse Securities (Europe) Limited	60,000,000
Deutsche Bank Securities Inc.	60,000,000
Goldman Sachs International	60,000,000
ABN AMRO Incorporated	30,000,000
Banc of America Securities Limited	30,000,000
BNP Paribas Securities Corp.	30,000,000
Fortis Securities LLC	30,000,000
Lehman Brothers International (Europe)	30,000,000
The Royal Bank of Scotland plc	30,000,000