

KCS ENERGY INC
Form 425
April 26, 2006

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Filed by Petrohawk
Energy Corporation
(Commission File No. 000-25717)
Pursuant to Rule 425 under the Securities
Act of 1933 and deemed filed pursuant to
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of 1934

Subject Company:

KCS Energy, Inc.
(Commission File No. 001-13781)

The following is a joint slide presentation first presented by Petrohawk
Energy
Corporation and KCS Energy, Inc. on April 26, 2006:

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Forward-looking Statements

This presentation contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act

Petrohawk's

and

KCS's

current expectations and include statements regarding planned capital expenditures (including the amount and nature thereof),

timing

for

proposed

acquisitions

and

divestitures,

estimates

of

future

production,

statements

regarding

business plans and timing for drilling

and

exploration

expenditures,

the

number

of

wells

both

companies

anticipate

drilling

in

2006,

the

number

and

nature

of

potential drilling locations,

future results of operations, quality and nature of the combined

asset base, the assumptions upon which estimates are based and other expectations,

beliefs, plans, objectives, assumptions, strategies or statements about future events or performance (often, but not always, using

"expects", "anticipates", "plans", "estimates", potential, possible, probable, or "intends", or stating that certain actions
"will",
should,
or
could
be
taken,
occur
or
be
achieved).
Statements
concerning
oil
and gas reserves also may be deemed to be forward looking
statements in that they reflect estimates based on certain assumptions that the resources involved can be economically exploited
statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which
results to differ materially from those, reflected in the statements. These risks include, but are not limited to: the possibility that
unable
to
obtain
stockholder
or
other
approvals
required
for
the
acquisition; the possibility that problems may arise in the integration of the businesses
of the two companies; the possibility that the acquisition may involve unexpected costs; the possibility the combined company
achieve cost-cutting objectives; the risks of the oil and gas industry (for example, operational risks in exploring for, developing
and natural gas; risks and uncertainties involving geology of oil and gas deposits; the uncertainty of reserve estimates; the uncertainty
and projections relating to future production, costs and expenses; potential delays or changes in plans with respect to exploration
projects or capital expenditures; health, safety and environmental risks and risks related to weather such as hurricanes and other
uncertainties as to the availability and cost of financing; fluctuations in oil and gas prices; inability to realize expected value from
of our management team to execute its plans to meet its goals, shortages of drilling equipment, oil field personnel and services;
gathering systems, pipelines and processing facilities and the possibility that government policies may change or governmental
delayed
or
withheld.
Additional
information
on
these
and
other
factors
which
could
affect

either

companies

operations or financial results are included

in the companies

other reports on file with the United States Securities and Exchange Commission. Forward-looking statements are based on the estimates and opinions of both companies

management at the time the statements are made. Neither Petrohawk nor KCS assume any obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

In its filings with the Securities and Exchange Commission, Petrohawk is permitted to disclose only proved reserves that it has production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions

certain terms in this presentation, such as "potential" in relation to reserves that the SEC's guidelines strictly prohibit it from including in its SEC filings. These estimates are by their nature more speculative than estimates of proved reserves and accordingly are subject to substantial

of

the

Company

not

actually

realizing

them.

Investors

are

urged

to

closely

consider

Petrohawk's

disclosure of its proved reserves, along with certain

risks and uncertainties inherent in its business, set forth in its filings with the SEC.

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Additional Information

Additional Information About the Transaction and Where to Find It:

Petrohawk and KCS will file materials relating to the transaction with the SEC, including one or more registration statement(s) that contain a prospectus and a joint proxy statement. Investors and security holders of Petrohawk and KCS are urged to read these documents (if and when they become available) and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information about Petrohawk,

KCS

and the transaction. Investors and security holders may obtain these documents free of charge at the SEC's

website

at

www.sec.gov.

In

addition,

the

documents

filed

with

the

SEC

by

Petrohawk

may be obtained free of charge

from Petrohawk's

website at www.petrohawk.com. The documents filed with the SEC by KCS may be obtained free of charge

from

KCS's

website at www.kcsenergy.com. Investors and security holders are urged to read the joint proxy

statement/prospectus and the other relevant materials when they become available before making any voting or investment

decision

with respect to the proposed acquisition.

Petrohawk, KCS and their respective executive officers and directors may be deemed to be participants in the solicitation of proxies from the stockholders of Petrohawk and KCS in favor of the acquisition. Information about the executive officers and directors of Petrohawk and their direct or indirect interests, by security holdings or otherwise, in the acquisition will be set forth in the proxy statement-prospectus relating to the acquisition when it becomes available. Information about the executive officers and directors of KCS and Petrohawk and their direct or indirect interests, by security holdings or otherwise, in the acquisition will be set forth in the proxy statement-prospectus relating to the acquisition when it becomes available.

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Unparalleled Assets

Positioned to be one of the most concentrated property portfolios among large-cap E&P companies

Combined position in North Louisiana's Elm Grove and Caspiana fields creates a premier position in an evolving natural gas basin

Sets Petrohawk apart as a dominant operator in Onshore Gulf Coast region

A virtual overlay of core operating areas, and the combination of experienced technical staff to complement development and exploration potential
Well-Capitalized Operating Platform

Appropriate use of leverage with well-developed plan to enhance balance sheet and operating statistics

Increased capital availability to apply over larger opportunity set of properties
Value Creation

Immediately accretive to cash flow, production and NAV on a per share basis

HAWK + KCS:

A Powerful Combination

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Deal Overview

Petrohawk Energy Corporation

Houston, Texas

NASDAQ: HAWK

Floyd C. Wilson, Chairman, President and CEO
KCS Energy, Inc.

Houston, Texas

NYSE: KCS

James W. Christmas, Chairman and CEO

Pro Forma Ownership

50% HAWK / 50% KCS

9-member board, 5 HAWK, 4 KCS

Expect to close Q3 2006

Fixed Exchange Ratio

1.65

(HAWK shares per KCS share)

Fixed Cash Value per Share

\$9.00

Implied Offer Price / Share at 4/20/06

\$31.41

(HAWK at \$13.58 /share at 4/20/06)

% Implied Premium

9.60%

(KCS at \$28.66 /share)

% Stock

72

% Cash

28

(\$ millions)

Cash Consideration

450

\$

HAWK Shares Issued (MM)

83.7

Stock Consideration

1,137

\$

Total Equity Consideration

1,587

\$

Net Assumed Debt

309

\$

Total Transaction Value

1,896

\$

Offer Summary

Implied Transaction Value

Combination Attributes

Creates one of the most concentrated asset

portfolios among large-cap E&P
Immediately accretive on cash flow,
production and NAV per share
Unites experienced technical staffs
Significant development and exploration
potential from a virtual overlay of core
operating areas

7
HAWK + KCS
A Powerful Combination
1 Tcfe
of Proved Reserves

82% gas

68% proved developed

74% operated

900 proved drilling locations

\$3.2 billion
SEC PV10
291 Mmcfe/d
current production
9.2 year R/P
Multi-year development drilling
inventory
~3 Tcfe
of Upside Potential

over **4,000 identified non-**
proved
drilling locations
KCS and HAWK reserves as of 12/31/05 proforma
2006 year-to-date acquisitions and divestments.

8
HAWK + KCS:
Top 15 Fields
Proved
Reserves
% of
PV 10
% of
Region
(Bcfe)
Proved
(MM\$)
PV 10
East Texas / North Louisiana

341
29%
1,235

38%
(Elm Grove / Caspiana, Terryville, Joaquin)

Permian
172
15%
441

14%
(Waddell, Sawyer Canyon, Jalmat, TXL)

South Texas / Gulf Coast
67
6%
298

9%
(La Reforma, Lions, Provident City, O'Connor Ranch, Marshall)

Anadarko
33
3%
117

4%
(WEHLU, Latimer Cty)

Top 15 Fields
1182.4
65%

9

HAWK + KCS:

Key Statistics

Pro

Forma

All

information

pro

forma

GOM

divestment

(HAWK),

and

Winwell

(HAWK) and Terryville (KCS) acquisitions.

Production is as of April 2006 pro forma for these transactions.

Resource Potential does not include exploratory upside

Proved Reserves (Bcfe)

517

463

980

SEC PV-10 (\$MM)

\$1,509

\$1,698

\$3,207

Proved Developed %

64%

73%

68%

Gas %

76%

88%

82%

Operated %

60%

86%

74%

Current Production (Mmcfe/d)

133

158

291

R/P (years)

10.6

8.0

9.2

2006E CAPEX Budget (\$MM)

\$210

\$315

\$525

Resource Potential (Bcfe)

950

770

1,720

10
Total
Production (Mmcfe/d)
Hawk
19

65

25

21

3

133

KCS

80

34

15

14

15

158

Total

99

99

40

35

18

291

Proved Reserves (Bcfe)

Hawk

122

136

177

74

8

517

KCS

234

90

63

35

41

463

Total

356

226

240

109

49

980

CAPEX Budget (\$MM)

Hawk

51

110

18

31

-

210

KCS

158

72

40

28

17

315

Total

209

182

59

58

17

525

Value (SEC PV10, \$MM)

Hawk

314

556

399

217

23

1,509

KCS

972

329

167

124

106

1,698

Total

1,286

885

566

341

128

3,207

Rigs Drilling

Hawk

3

4

1

2

-

10

KCS

7

3

3

2

1

16

Total

10

7

4

4

1

26

1st Qtr Drilling (# wells)

Hawk

15

12

13

16

10

66

KCS

28

9

12

5

3

57

Total

43

21

25

21

13

123

Other

E. Texas / N.

Louisiana

S. Texas /

Gulf Coast

Permian

Anadarko /

Arkoma

HAWK + KCS:

Regional Breakout

11
Combined \$525 million drilling budget for 2006
~85% operated
Funded from discretionary cash flow
Attractive risk profile
Total 2006 Drilling Budget
by Category (\$MM / % of Total)
Total 2006 Drilling Budget
by Region (\$MM / % of Total)
Non-Proved
\$179 / 34%
Proved
\$346 / 66%
Permian

\$59 / 11%

S. TX /

Gulf Coast

\$198 / 38%

E. TX /

N. LA

\$209 / 40%

Arkoma /

Anadarko

\$58 / 11%

HAWK + KCS:

2006 Drilling Budget

12
Petrohawk s
Growth through Acquisitions
0
200
400
600
800
1,000
1,200
May
2004
November
2004
February
2005

July
2005
January
2006
April
2006
Beta Oil & Gas
30 Bcfe
Wynn Crosby
Energy
200 Bcfe
Proton Energy
28 Bcfe
Mission
Resources
226 Bcfe
Winwell
Resources
106 Bcfe
KCS Energy
463 Bcfe
(Closing
Expected
Q3 2006)

13
Dec. 31, 2004 Reserves
219 Bcfe
2005 Divestments
(29) Bcfe
2005 Production
(29) Bcfe
-
Bcfe
2005 Organic Growth

= 437 Bcfe

152% 2005 reserve replacement

Development Drilling: Identify and Exploit Opportunities

Focus on underdeveloped properties with upside and acceleration potential

Exploration Program: Drill Well-Known Basins and Formations

Technology-driven with exposure to conventional and unconventional plays

+ 44 Bcfe

2005 Year-End Reserve Estimate

(1)

1

At December 31, 2005, NSAI

2005 Acquisitions

233 Bcfe

Petrohawk s

Growth through the Drill Bit

14
KCS s
Growth through the Drill Bit
Wells Drilled
53
78
130
193

2002

2003

2004

2005

(% Successful)

Drilling Success

74%

92%

97%

93%

2002

2003

2004

2005

92% Drilling success over 4
years (454 wells)

Drilled 193 wells in 2005 with
93% success

Initial Budget of 215 Wells for
2006

Average ~30% reserve growth
per year

3 year F&D Cost -
\$1.59 / Mcfe

Multi-Year Drilling Inventory

15
Significant Value in Upside Potential
Extensive portfolio of growth opportunities
All located in existing basins
Combined company is estimated to have ~3 Tcfe
of upside
East Texas / North Louisiana
356

600

600

S. Texas / Gulf Coast
226

600

200

Permian

240

200

-

Anadarko / Arkoma

109

300

500

Other

49

20

20

Total

980

1,720

1,320

Exploration

Potential (Bcfe)

Proved (Bcfe)

Resource

Potential (Bcfe)

Note:

Resource

and

exploration

potential

are

unrisked

internal estimates only and vary with time and drilling results.

16
A Compelling Combination:
E. TX/No. LA Region
99 Mmcfe/d
production
356 Bcfe
proved reserves
\$209 Million Budget

10 Rigs Active: 43 Wells Drilled in Q1

SHELBY

RUSK

PANOLA

HARRISON

MARION

CAMP

GREGG

DE SOTO

HENDERSON

VAN ZANDT

BENVILLE

CLAIBORNE

LINCOLN

QUACHITA

MARION

WASHINGTON

Joaquin

Carthage, S.

Blocker

Caspiana

Elm Grove

Longwood

Terryville

Unionville

Drew S.

Elm Grove

Caspiana

James Lime Project

Benson

Petrohawk

KCS

17
Largest operator in Elm
Grove / Caspiana

125 Mmcfe/d
gross
operated

6 operated rigs

Long-lived legacy natural
gas asset

Substantial upside
potential

67,720 gross acres

\$133 million capex
planned in 2006

3 HAWK-operated rigs,
3
KCS-operated rigs
Ongoing multi-year drilling
program

Over 1,000 drilling
locations identified
Premier Asset:
Elm Grove / Caspiana
Fields
Petrohawk
KCS

18
Petrohawk
KCS
CAMERON
CALCASIEU
JEFFERSON
DAVIS
TERREBONNE

LAFOURCHE
ST. BERNARD
WASHINGTON
MARION
JEFFERSON
DAVIS
HARRIS
GALVESTON
WHARTON
DE WITT
GOLIAD
VICTORIA
LIMESTONE
FREESTONE
MADISON
Cypress/Langham
Cross Creek
Dickinson
Chocolate
Bayou
Magnet
Withers
Porters Creek
Austin Deep
Betsy
Marshall
E. Marshall
O Connor Ranch
Lions
Glasscock Ranch
Heard Ranch
Mission Valley
Provident City
N. Borchers
Dry Hollow
Provident City
La Jara
Los Midos
La Reforma
La Reforma
Nabors
Ann Mag
Coquat
SHELBY
RUSK
PANOLA
Back Ridge
W. Chalkley
Second Bayou
Broussard

Reddell

W.Lake

Verret

S.Bayou

Boeuf

S.W.Lake

Boeu

Gueydan

N. Leroy

A Compelling Combination:

S. Texas / Gulf Coast

99 Mmcfe/d

production

226 Bcfe

proved reserves

\$182 Million Budget

7 Rigs Active: 21 Wells Drilled Q1

19

Premier Asset:

3D in South Texas / Gulf Coast

3D Coverage and Joint Ventures in 3D Exploration Plays

c

20
Petrohawk
KCS
SUTTON
EDWARDS
LEA
ANDREWS

EDDY
LOVING
Waddell
ROC
TXL
Sawyer Canyon
Haley
W.Shugart.
A Compelling Combination:
Permian
40 Mmcfe/d
production
240 Bcfe
proved reserves
\$59 Million Budget
4 Rigs Active: 25 Wells
Drilled in Q1
Jalmat
S. Kemnitz.

21
Panola
Talihina, NW
Wilburton
LE FLORE
LATIMER
YELL
PITTSBURG

HUGHES
HASKELL
CANADIAN
WASHITA
WHEELER
ROBERTS
UPSCOMB
ELLIS
WOODWARD
OCHIL TREE
BEAVER
HARPER
HANSFORD
Kinta
Mayfield, NE
Carpenter
Fitts
S. Pine Hollow
Fayetteville Shale
Caney / Woodford Shale
Flower
Prospect
A Compelling Combination:
Anadarko / Arkoma
Petrohawk
KCS
35 Mmcfe/d
production
109 Bcfe
proved reserves
\$58 Million Budget
1-4 Rigs Active: 21 Wells Drilled in Q1
Lipscomb

22

Pro Forma Capitalization
Expected Mix of Financing

Committed Funding -

\$1.5B

BNP Paribas

Revolving Credit Facility (combined HAWK and KCS reserves)

\$1.25 billion facility, \$850

900MM Initial Borrowing Base

LIBOR + 1.50% (based on current facility)

\$125 -
\$175MM of projected liquidity (depending on 2nd Lien Draw)

Second Lien Facility
/ High Yield

\$600
650MM
Pro forma Debt / Total Cap of approximately 43%
Pro forma EBITDA / Interest of approximately 6.5x
Pro forma capitalization subject to change

23

Hedge Schedule

As of 4/20/06. Average prices are volume-weighted.

Collars

17,255,000

\$6.69

\$10.01

10,150,000

\$6.79

\$12.29

3,600,000

\$5.05

\$6.53

Swaps

7,910,000

\$7.33

3,455,000

\$7.18

Puts

4,068,625

\$8.00

7,249,995

\$8.00
Collars
1,130,400

\$40.33
\$53.44
294,100

\$41.13
\$50.11
60,000

\$34.00
\$45.30
Swaps

122,000
\$54.21
36,000

\$63.85
144,000
\$38.10

Current Combined Hedging Schedule

2007

GAS

GAS

GAS

2008

Floor

Ceiling

Volume

(Bbls)

2006

Floor

Ceiling

OIL

OIL

OIL

Volume

(MMbtu)

Floor

Ceiling

Volume

(MMbtu)

Volume

(MMbtu)

Volume

(Bbls)

Floor

Ceiling

Floor

Ceiling

Volume

(Bbls)

Floor
Ceiling

24

HAWK + KCS:

Summary

Continue Proven Strategies of Both Companies

Acquire Strategically

Operated, gas-biased properties in core areas with upside potential

Acquire as much upside as proved

Organic Growth

Focus on underdeveloped properties with upside and acceleration potential

Technology-driven with exposure to conventional and unconventional plays
Active Portfolio Management

Divest high-cost, non-operated properties with limited upside
Maintain Financial Flexibility
Build to Sell

Combined management group will own approximately 6% of the company

25
HAWK + KCS:
Comparables
Production Rankings
Current
Daily Prod.
Rank
Company
(MMcfe/d)
1
Devon Energy
3,476.1
2
Apache Corp
2,977.7
3
Anadarko Petroleum Corp.
2,574.0
4
Kerr-McGee
1,472.6

5
Chesapeake Energy
1,471.3
6
XTO Energy Inc.
1,433.0
7
EOG Resources
1,429.6
8
Noble Energy Inc.
956.3
9
Newfield Exploration
662.1
10
Pioneer Natural Resources
600.7
11
Pogo Producing Co.
519.0
12
Cimarex Energy Co.
431.1
13
Forest Oil Corp.
386.1
14
Plains Explor. & Prod.
377.4
15
W&T Offshore
298.2
16
Pro Forma Petrohawk
291.1
17
Houston Exploration
285.5
18
Range Resources Corp.
250.3
19
Cabot Oil & Gas Corp.
250.0
20
Whiting Petroleum Corp.
240.1
21
St. Mary Land & Expl.

237.6
22
Ultra Petroleum Corp.
232.0
23
Denbury Resources Inc.
189.8
24
Encore Acquisition Co.
183.9
25
Southwestern Energy Co.
171.1
28
KCS
(1)
155.7
31
Petrohawk
(1)
135.4
(1) Daily Production as of February, 2006 pro forma for GOM divestment
(HAWK), and Winwell (HAWK) and Terryville (KCS) acquisitions
Reserve Rankings
12/31/2005
Reserves
Rank
Company
(Bcfe)
1
Anadarko Petroleum Corp.
14,690
2
Apache Corp
13,846
3
Devon Energy
12,672
4
XTO Energy Inc.
7,742
5
Chesapeake Energy
7,600
6
EOG Resources
6,200
7
Kerr-McGee
5,805

8
Pioneer Natural Resources
5,194
9
Noble Energy Inc.
5,084
10
Plains Explor. & Prod.
2,406
11
Pogo Producing Co.
2,317
12
Newfield Exploration
2,001
13
Whiting Petroleum Corp.
1,582
14
Ultra Petroleum Corp.
1,528
15
Forest Oil Corp.
1,467
16
Range Resources Corp.
1,407
17
Cimarex Energy Co.
1,393
18
Cabot Oil & Gas Corp.
1,331
19
Encore Acquisition Co.
1,174
20
CNX Gas Corp
1,130
21
Quicksilver Resources
1,100
22
Pro Forma Petrohawk
980
23
Denbury Resources Inc.
915
24
W&T Offshore

854

25

St. Mary Land & Expl.

794

32

Petrohawk

517

34

KCS

464

Note: 12/31/05 proved reserves, pro forma for any subsequent transactions

26
HAWK + KCS:
Comparables
Enterprise Value Rankings
Enterprise
Value
(1)
Rank
Company
(\$MM)
1

Devon Energy
\$35,177
2
Anadarko Petroleum Corp.
\$29,425
3
Apache Corp
\$29,072
4
XTO Energy Inc.
\$21,068
5
Chesapeake Energy
\$20,984
6
EOG Resources
\$19,686
7
Kerr-McGee
\$13,235
8
Noble Energy Inc.
\$11,055
9
Ultra Petroleum Corp.
\$10,991
10
Newfield Exploration
\$7,107
11
Pioneer Natural Resources
\$5,951
12
Pogo Producing Co.
\$5,487
13
Denbury Resources Inc.
\$4,809
14
Range Resources Corp.
\$4,683
15
CNX Gas Corp
\$4,527
16
Cimarex Energy Co.
\$4,318
17
W&T Offshore
\$4,259

18
Quicksilver Resources
\$4,160
19
Plains Explor. & Prod.
\$4,152
20
Pro Forma Petrohawk
\$3,512
21
Forest Oil Corp.
\$3,304
22
St. Mary Land & Expl.
\$3,066
23
Cabot Oil & Gas Corp.
\$2,939
24
Whiting Petroleum Corp.
\$2,578
25
Encore Acquisition Co.
\$2,301
28
KCS
\$1,847
30
Petrohawk
\$1,665
(1) As of 4/21/06
Gas Percentage Rankings
% Gas of
Top 25
Rank
Company
EV
1
CNX Gas Corp
100%
2
Quicksilver Resources
97%
3
Cabot Oil & Gas Corp.
95%
4
Ultra Petroleum Corp.
93%
5

Chesapeake Energy
92%
6
EOG Resources
89%
7
Pro Forma Petrohawk
82%
8
XTO Energy Inc.
80%
9
Range Resources Corp.
80%
10
Cimarex Energy Co.
72%
11
Newfield Exploration
70%
12
Noble Energy Inc.
63%
13
Kerr-McGee
63%
14
Forest Oil Corp.
60%
15
Devon Energy
58%
16
W&T Offshore
57%
17
Pogo Producing Co.
57%
18
Pioneer Natural Resources
56%
19
Apache Corp
54%
20
Anadarko Petroleum Corp.
54%
21
St. Mary Land & Expl.
52%

22

Denbury Resources Inc.

30%

23

Whiting Petroleum Corp.

24%

24

Encore Acquisition Co.

24%

25

Plains Explor. & Prod.

11%

-

KCS

88%

-

Petrohawk

76%

