

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of Claimant

Petrohawk Energy Corporation,
as Successor by Merger to Mission Resources Corporation

vs.

Case Number: 06-00052
Hearing Site: Houston, Texas

Name of Respondent

Jefferies & Company, Inc.

NATURE OF THE DISPUTE

Customer vs. Member

REPRESENTATION OF PARTIES

Petrohawk Energy Corporation, as Successor by Merger to Mission Resources Corporation ("Claimant") was represented by C.W. Flynn, Esq. and David E. Harrell, Jr., Esq., Locke Liddell & Sapp, LLP, Dallas, Texas.

Jefferies & Company, Inc. ("Respondent") was represented by Kevin T. Rover, Esq. and Bonnie L. Altro, Esq., Morgan, Lewis & Bockius, LLP, New York, New York

CASE INFORMATION

The Statement of Claim was filed on or about January 4, 2006. The Submission Agreement of Claimant, Petrohawk Energy Corporation, as Successor by Merger to Mission Resources Corporation, was signed on or about December 21, 2005. On or about September 29, 2006, Claimant filed a Motion for Leave to Amend the Statement of Claim. On or about October 30, 2006, Claimant filed the First Amended Statement of Claim.

The Statement of Answer was filed by Respondent, Jefferies & Company, Inc., on or about March 2, 2006. The Submission Agreement of Respondent, Jefferies & Company, Inc., was signed on or about February 24, 2006. On or about October 20, 2006, Respondent filed its Response to the Motion for Leave to Amend the Statement of Claim.

CASE SUMMARY

Claimant asserted the following causes of action: breach of contract; breach of fiduciary duty; negligence; aiding and abetting fraud; theft; conversion and failure to supervise. The

causes of action related to the theft of securities from Claimant's predecessor, Mission Resources Corporation, which was formed as a result of a merger between Bargo Energy and Bellweather Exploration Company. Claimant alleged that Respondent enabled a former officer of Bellweather, Robert J. Bensch, to steal 218,800 shares of Mission's treasury stock. Claimant alleged that Bensch sent a letter to Respondent instructing it to transfer the Mission treasury stock to a personal account maintained by Bensch at another securities firm, which he later sold in the open market for his personal benefit. Claimant alleged that Bensch had no relationship whatsoever to Petrohawk or Mission and no right to transfer Mission treasury stock, as Mission never employed him. Claimant asserted notwithstanding Bensch's lack of authority, Jefferies knew or should have known that the account in question was a corporate account, not a personal account, and Bensch's references to "my account" were blatantly false. As a result, Claimant asserted that it had to pay an additional \$1.8 million to consummate its merger transaction with Mission.

Unless specifically admitted in its Answer, Respondent denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimant failed to state a claim upon which relief can be granted; to the extent Claimant suffered any damages, such damages resulted in whole or in part from its own acts and Jefferies is in no way responsible or liable to Claimant for its own wrongful or negligent omissions; because Claimant failed to inform Jefferies that Mr. Bensch was no longer authorized to act as agent for Claimant, Jefferies fell victim to Bensch's fraud; Claimant never notified Jefferies that it had stopped receiving account statements; Claimant failed to inform Jefferies that Bensch's employment had been terminated and that he was no longer able to act on behalf of the company; Claimant and its agents conducted negligently inadequate due diligence during the merger with Mission; to the extent Claimant suffered any damages, such damages were proximately caused by Claimant's own failure to use due diligence in monitoring, managing, and handling its account; Claimant's claims are barred, in whole or in part, because it failed to take all reasonable, necessary, and appropriate action to mitigate any purported damages allegedly resulting from the matters set forth in the Statement of Claim; Claimant's claims are barred by the doctrine of laches; and Claimant's breach of fiduciary duty claim also failed as a matter of law because under New York law, which was selected as the governing law by the parties in the Jefferies Customer Agreement, Jefferies is not a fiduciary.

RELIEF REQUESTED

Claimant requested an award in the amount of:

Actual/Compensatory Damages	\$1,800,000.00
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

Respondent requested that the claims asserted against it be denied in their entirety and that it be awarded its costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

On October 30, 2006, the Panel issued an Order and granted Claimant's Motion for Leave to Amend the Statement of Claim.

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

After considering the pleadings, the testimony, the evidence presented at the hearing, and the post-hearing submissions, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

- 1.) Respondent, Jefferies & Company, Inc., is liable for and shall pay to Claimant, Petrohawk Energy Corporation, as Successor by Merger to Mission Resources Corporation, the sum of \$1,207,075.00 in compensatory damages;
- 2.) Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter; and
- 3.) Any relief not specifically enumerated, including punitive damages and attorneys' fees, is hereby denied with prejudice.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution will retain the non-refundable filing fee for each claim:

Initial Claim filing fee	= \$ 500.00
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Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the events giving rise to the dispute. In this matter, the member firm is Jefferies & Company, Inc.

Member surcharge	= \$ 2,800.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 5,000.00

Forum Fees and Assessments

The Panel has assessed forum fees for each hearing session conducted or each decision rendered on a discovery-related motion on the papers. A session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

Two (2) Pre-hearing sessions with Panel x \$1,200.00	= \$ 2,400.00
Pre-hearing conferences: April 28, 2006	1 session
October 30, 2006	1 session
Four (4) Hearing sessions x \$1,200.00	= \$ 4,800.00
Hearing Dates: November 28, 2006	2 sessions
November 29, 2006	2 sessions
Total Forum Fees	= \$ 7,200.00

The Panel has assessed \$3,600.00 of the forum fees to Petrohawk Energy Corporation, as Successor by Merger to Mission Resources Corporation.

The Panel has assessed \$3,600.00 of the forum fees to Jefferies & Company, Inc.

FEE SUMMARY

Claimant, Petrohawk Energy Corporation, as Successor by Merger to Mission Resources Corporation, is liable for:

Initial Filing Fee	= \$ 500.00
Forum Fees	= \$ 3,600.00
Total Fees	= \$ 4,100.00
Less payments	= \$ 1,700.00
Balance Due NASD Dispute Resolution	= \$ 2,400.00

Respondent, Jefferies & Company, Inc., is liable for:

Member Fees	= \$ 8,550.00
Forum Fees	= \$ 3,600.00
Total Fees	= \$12,150.00
Less payments	= \$ 8,550.00
Balance Due NASD Dispute Resolution	= \$ 3,600.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Donald K. Eckhardt, Esq. - Public Arbitrator, Presiding Chair
Oren L. Connaway, J.D. - Public Arbitrator
Joshua D. Wallach - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

/s/ Oren L. Connaway, J.D.
Oren L. Connaway, J.D.
Public Arbitrator

January 10, 2007
Signature Date

/s/ Joshua D. Wallach
Joshua D. Wallach
Non-Public Arbitrator

December 28, 2006
Signature Date

Dissenting Arbitrator's Signature:

/s/ Donald K. Eckhardt, Esq.
Donald K. Eckhardt, Esq.
Public Arbitrator, Presiding Chair

December 28, 2006
Signature Date

December 29, 2006
Date of Service (For NASD office use only)

ARBITRATION PANEL

Donald K. Eckhardt, Esq. - Public Arbitrator, Presiding Chair
Oren L. Connaway, J.D. - Public Arbitrator
Joshua D. Wallach - Non-Public Arbitrator

Concurring Arbitrators' Signatures:


Oren L. Connaway, J.D.
Public Arbitrator

1/10/07
Signature Date

Joshua D. Wallach
Non-Public Arbitrator

Signature Date

Dissenting Arbitrator's Signature:

Donald K. Eckhardt, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Date of Service (For NASD office use only)

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Joshua D. Wallach - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

Oren L. Connaway, J.D.
Public Arbitrator



Joshua D. Wallach
Non-Public Arbitrator

Signature Date

12/28/06

Signature Date

Dissenting Arbitrator's Signature:

Donald K. Eckhardt, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Date of Service (For NASD office use only)

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Public Arbitrator

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Donald K. Eckhardt, Esq.
Public Arbitrator, Presiding Chair

12/28/06
Signature Date

Date of Service (For NASD office use only)