FORM SB-2/A

Optional form for registration of securities to be sold to the public by small business issuers [amend]

Filing Date: **2001-02-02**
SEC Accession No. 0000912057-01-003939

FILER

GMX RESOURCES INC

CIK:**1127342**| IRS No.: **731534474** | State of Incorp.:**OK** | Fiscal Year End: **1231**
Type: **SB-2/A** | Act: **33** | File No.: **333-49328** | Film No.: **1524063**
SIC: **1311** Crude petroleum & natural gas

Mailing Address
ONE BENHAM PLACE
SUITE 600
OKLAHOMA CITY OK 73114

Business Address
ONE BENHAM PLACE
SUITE 600
OKLAHOMA CITY OK 73114
4056000711

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 2, 2001

REGISTRATION NO. 333-49328

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO
FORM SB-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GMX RESOURCES INC.
(Name of small business issuer in its charter)

<TABLE>
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OKLAHOMA	1311	73-1534474
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Code Number)	(I.R.S. Employer Identification Number)

</TABLE>

9400 NORTH BROADWAY, SUITE 600
OKLAHOMA CITY, OKLAHOMA 73114
(405) 600-0711
(Address and telephone number of principal executive offices and principal place of business)

KEN L. KENWORTHY, JR.
9400 NORTH BROADWAY
SUITE 600
OKLAHOMA CITY, OKLAHOMA 73114
(405) 600-0711
(Name, address and telephone number of agent for service)

COPIES TO:

<TABLE>
<S> <C>

MICHAEL M. STEWART, ESQ.	JOHN J. HALLE, ESQ.
CROWE & DUNLEVY, A PROFESSIONAL CORPORATION	STOEL RIVES LLP
1800 MID-AMERICA TOWER	STANDARD INSURANCE CENTER
OKLAHOMA CITY, OKLAHOMA 73102	900 SW 5TH AVENUE, SUITE 2600
(405) 235-7700	PORTLAND, OREGON 97204-1268
	(503) 224-3380

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE AFTER THE REGISTRATION STATEMENT BECOMES EFFECTIVE.

CALCULATION OF REGISTRATION FEE

<TABLE>
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SECURITIES TO BE TITLE OF EACH CLASS OF REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>	<C>
Units, each consisting of(2).....	1,437,500	$8.00	$11,500,000	$ 3,450
(i) one share of common stock, and.....	1,437,500			
(ii)one Class A warrant to purchase one share of common stock and one Class B warrant.....	1,437,500			
Units issuable upon exercise of underwriters' warrants(3) each consisting of.....	125,000	$9.60	$ 1,200,000	$ 360
(i) one share of common stock, and.....	125,000			
(ii) one Class A warrant to purchase one share of common stock and one Class B warrant.....	125,000			
Common stock issuable upon exercise of Class A warrants, including warrants underlying				

underwriters' warrants(4)	1,562,500	$12.00	$18,750,000	$ 5,625
Common stock issuable upon exercise of Class B warrants, including warrants underlying underwriters' warrants(4)	1,562,500	10.00	15,625,000	4,687
Total			$42,950,000	$14,122(5)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) promulgated under the Securities Act of 1933, as amended.

(2) Includes 187,500 units which the underwriters have the option to purchase to cover over-allotments, if any.

(3) In connection with the sale of the units, GMX Resources Inc. will issue to certain of the underwriters, warrants to purchase, in the aggregate, up to 125,000 units.

(4) Pursuant to Rule 416, there are also being registered such additional shares of Common Stock as may be issuable pursuant to the anti-dilution provisions of the Warrants and the Underwriters Warrants.

(5) Previously paid $16,606.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

SUBJECT TO COMPLETION DATED FEBRUARY 2, 2001

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES OR TO SOLICIT OFFERS TO BUY THESE SECURITIES IN ANY PLACE WHERE THE OFFER OR SALE IS NOT PERMITTED.

1,250,000 UNITS

GMX RESOURCES INC.

[LOGO]

This is an initial public offering of units by GMX RESOURCES INC. Each unit consists of one share of common stock and one Class A warrant to purchase one share of common stock. The Class A warrants will be exercisable when they become separately tradeable and thereafter until they expire five years after the date of this prospectus at an exercise price per share of $ until , 2002 (13 months after the effective date), and $ thereafter. If exercised on or before , 2002, in addition to receiving one share of common stock, the holders of the Class A warrant will also receive a Class B warrant to purchase an additional one share of common stock at an exercise price of $. The Class A and Class B warrants, if issued, will expire on , 2006.

The common stock and Class A warrants will not trade separately until , 2001 (30 days following the offering), or such earlier date as may be determined by the Company with the consent of Paulson Investment Company, Inc. Prior to this offering, there has been no public market for our securities. We have applied for listing of our units, common stock and Class A warrants on The Nasdaq SmallCap Market under the symbols GMXRU, GMXR and GMXRW. The Class B warrants will not be listed unless not less than 100,000 Class B warrants are issued and the Class B warrants are accepted for listing by NASDAQ. The estimated initial public offering price is $8.00 per unit.

INVESTING IN THE UNITS INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

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	PER UNIT	TOTAL
<S>	<C>	<C>
Public Offering Price.....	$	$
Underwriting discounts and commissions.....	$	$
Proceeds to GMX RESOURCES INC. (before expenses).....	$	$

</TABLE>

We expect total cash expenses of the offering to be approximately $750,000, which will include a non-accountable expense allowance of two percent of the gross proceeds of this offering payable to Paulson Investment Company, Inc., the managing underwriter of this offering. We have granted the underwriters the option for a period of 45 days to purchase up to an additional 187,500 units to cover over-allotments. We will also grant to certain underwriters five-year warrants to purchase up to 125,000 units for $ per unit.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of the prospectus. Any representation to the contrary is a criminal offense.

We have a firm commitment underwriting agreement with the underwriters to purchase the units. Paulson Investment Company, Inc., on behalf of the underwriters, expects to deliver the shares and warrants on or about , 2001.

PAULSON INVESTMENT COMPANY, INC.
I-BANKERS SECURITIES INCORPORATED

The date of this prospectus is , 2001.

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PROSPECTUS SUMMARY

The following summary highlights selected information from this prospectus and may not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus. Certain terms used in this prospectus are explained under the section "Certain Technical Terms" on page 48.

ABOUT GMX RESOURCES INC.

GMX is an independent oil and gas company. At the time of our organization in 1998, we acquired, for $6.0 million, producing and undeveloped properties located primarily in east Texas and northwestern Louisiana, Kansas and southeastern New Mexico. When we acquired them, the properties consisted of 71.1 net producing wells, 20,829 net developed and 317 net undeveloped acres. At the acquisition date, the properties had estimated proved developed producing reserves of 5 Bcfe. These properties were acquired out of a bankruptcy reorganization of a small, privately held company. We believe the properties had not been developed to their full potential as a result of the financial condition and lack of technical geological expertise of the prior owner. However, there was substantial high quality geological and engineering data available for the properties, waiting to be evaluated.

Since the acquisition, we have conducted an extensive geological and engineering evaluation of the property base, improved the operating efficiencies of the producing properties, recompleted or reworked 58 wells, drilled 3 additional wells and acquired additional related acreage and reserves. As a result, we have added proved reserves in existing producing wells and identified proved reserves that can be developed by drilling additional wells.

As of September 30, 2000, Sproule Associates Inc., our independent petroleum engineers, estimates our proved reserves have increased to 72 Bcfe. An estimated 24 Bcfe is expected to be produced from existing wells and another 48 Bcfe or 67% of the proved reserves, is classified as proved undeveloped. These reserves

were identified by geological and engineering evaluation of the data we acquired with the properties, as well as by drilling three new wells and reworking or recompleting 58 wells. The three development wells drilled based on this work have all been completed as producers. As of September 30, 2000, we had interests in 158 producing wells, 130 of which we operate.

Our strategy is to create additional value from our existing property base through development of quality proved undeveloped properties and exploitation activities focused on adding proved reserves from the inventory of probable and possible drilling locations. We will also continue to seek improvement in operating efficiencies, exploitation of existing recompletion and work-over opportunities and will consider acquisitions of additional properties when favorable opportunities are presented. We will implement these strategies with the following resources:

EXPERIENCED MANAGEMENT. The company's founders have experience in finding, exploiting, developing and operating reserves and companies. Ken Kenworthy, Jr., the company's President, has been active in various aspects of the oil and gas business for over 20 years. He was formerly Chairman and Chief Executive Officer of OEXCO, Inc., an Oklahoma City based privately held oil and gas company. He founded OEXCO in 1980 and successfully managed it until 1995 when it was sold for approximately $13 million. During this 15 year period, OEXCO operated approximately 300 wells. Ken L. Kenworthy, Sr. also has extensive financial experience with private and public businesses, including experience as chief financial officer of CMI Corporation, a New York Stock Exchange listed company which manufactures and sells road building equipment.

SUBSTANTIAL DRILLING AND EXPLOITATION OPPORTUNITIES. We have a substantial inventory of drilling and recompletion projects with an estimated 48 Bcfe of proved undeveloped reserves as of September 30, 2000. These projects include ten recompletion projects and thirty new drilling locations with proved undeveloped reserves. We expect to locate additional proved drilling and recompletion opportunities as our evaluation and drilling of the property base continues. Based on our September 30, 2000 reserve

report, the present value of the proved undeveloped reserves is $131 million with anticipated future development costs of $13.0 million.

SIGNIFICANT INVENTORY OF UNPROVED PROSPECTS. We have approximately 200 additional drilling locations in East Texas which we believe have potential in the Pettit, Travis Peak and Cotton Valley formations at depths of 6,000 to 10,000 feet. We are continuing to evaluate our acreage in Kansas and New Mexico and we expect to generate additional drilling prospects. However, none of these prospects have proved reserves. Approximately 21,885 acres of our leasehold position is held by production, so we do not have rental payments and drilling targets on those leases can be held and drilled in order of priority without concern about lease expiration.

EMPHASIS ON GAS RESERVES. Production for the first nine months of 2000 is 60% gas and 40% oil. Proved reserves as of September 30, 2000 are 65% gas and 35% oil. We intend to emphasize acquisition and development of gas reserves due to the long term outlook for gas demand, but will continue to maintain a portion of our reserves in oil to take advantage of the current high price levels.

Our principal executive office is located at 9400 North Broadway, Suite 600, Oklahoma City, Oklahoma, 73114 and our telephone number is (405) 600-0711.

THE OFFERING

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Securities offered.....	1,250,000 units. Each unit consists of one share of common stock and one Class A warrant to purchase an additional share of common stock and, if exercised before , 2002, one Class B warrant to purchase an additional share of common stock.
Common stock outstanding after this offering.....	4,250,000 shares. This number assumes no exercise of the over-allotment option and does not include 1,250,000 shares of common stock issuable upon exercise of the 1,250,000

	Class A warrants which will be outstanding, another 1,250,000 shares of common stock issuable upon exercise of the Class B warrants that may be issued and 375,000 shares of common stock issuable upon exercise of the underwriters' warrants and the warrants underlying the underwriters' warrants.
Use of proceeds.....	Development drilling and repayment of debt.
Proposed NASDAQ SmallCap Market symbols.....	Units--GMXRU Common Stock--GMXR Class A Warrants--GMXRW Class B Warrants--GMXRZ (if issued and traded)

</TABLE>

RISK FACTORS

You should consider carefully the "Risk Factors" beginning on page 7 of this prospectus before making an investment in the common stock and warrants.

HISTORICAL INFORMATION REGARDING OUR SECURITIES HAS BEEN ADJUSTED TO REFLECT A 14.51-TO-1 STOCK SPLIT EFFECTED ON OCTOBER 30, 2000 IN ORDER TO ADJUST OUR SHARES OUTSTANDING TO A LEVEL APPROPRIATE FOR THIS OFFERING. EXCEPT AS OTHERWISE INDICATED, ALL INFORMATION IN THIS PROSPECTUS ASSUMES NO EXERCISE OF THE OVER-ALLOTMENT OPTION OR THE UNDERWRITERS' WARRANTS. REFERENCES TO "US," THE "COMPANY" OR "GMX" INCLUDE GMX RESOURCES INC. AND OUR WHOLLY-OWNED SUBSIDIARIES, EXPEDITION NATURAL RESOURCES INC. AND ENDEAVOR PIPELINE, INC., UNLESS OTHERWISE INDICATED.

SUMMARY FINANCIAL DATA

The following table presents a summary of our financial information for the periods indicated. It should be read in conjunction with our consolidated financial statements and related notes and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this prospectus. The summary financial information as of and for the nine months ended September 30, 2000 and 1999, is unaudited and, in the opinion of management reflects all adjustments that are necessary for a fair statement of the financial position and the results of operations of the interim periods presented. The results for the nine months ended September 30, 2000 are not necessarily indicative of the results to be expected for the full year.

<TABLE>
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	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1999	2000
		(RESTATED)	(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:				
Oil and gas sales.....	$ 1,794,513	$ 2,122,770	$1,530,072	$ 2,879,968
Interest and other income.....	33,404	38,915	11,358	40,793
Total revenues.....	1,827,917	2,161,685	1,541,430	2,920,761
Lease operations.....	895,899	917,590	664,025	725,637
Production and severance taxes.....	150,052	157,193	128,801	295,469
General and administrative.....	226,313	368,824	225,240	388,145
Depreciation, depletion and amortization.....	433,374	436,474	317,706	313,348
Interest.....	419,897	486,234	385,209	431,925
Total expenses.....	2,125,535	2,366,315	1,720,981	2,154,524
Income (loss) before income taxes.....	(297,618)	(204,630)	(179,551)	766,237
Income taxes.....	--	--	--	75,000
Net income (loss).....	$ (297,618)	$ (204,630)	$ (179,551)	$ 691,237
Net income (loss) applicable to common shares.....	$ (478,368)	$ (373,193)	$ (306,989)	$ 567,862

Net income (loss) per share--basic.....	$ (0.22)	$ (0.23)	$ (0.18)	$ 0.37
Net income (loss) per share--diluted.....	$ (0.22)	$ (0.23)	$ (0.18)	$ 0.19
Weighted average common shares--basic.....	2,176,500	1,632,375	1,692,883	1,549,000
Weighted average common shares--diluted.....	2,176,500	1,632,375	1,692,883	3,593,000
STATEMENT OF CASH FLOWS DATA:				
Net cash provided by operating activities...	$ 197,231	$ 618,759	$ 274,516	$ 921,947
Net cash used in investing activities.....	(6,729,789)	(675,721)	(418,282)	(1,750,413)
Net cash provided by financing activities...	6,642,348	482,385	281,107	547,194
BALANCE SHEET DATA (AT END OF PERIOD):				
Oil and gas properties, net.....	$ 6,870,847	$ 7,140,790	$6,985,599	$ 8,416,461
Total assets.....	8,003,667	8,973,163	8,299,277	10,272,755
Long-term debt, including current portion...	5,677,348	6,181,813	6,198,173	6,930,229
Shareholders' equity.....	1,702,382	1,117,483	1,142,589	1,812,720
OTHER DATA:				
EBITDA(2).....	555,653	718,078	523,364	1,511,510

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(1) The Company began operations on January 23, 1998. As such, the 1998 period reflects activity from inception date to December 31, 1998.

(2) EBITDA is defined as income (loss) before interest, income taxes, depreciation, depletion and amortization costs. We believe that EBITDA is a financial measure commonly used in the oil and gas industry and we use it, and expect investors to use it, as an indicator of a company's ability to

service and incur debt or fund capital expenditures. One of our debt covenants uses a measure similar to EBITDA. However, EBITDA should not be considered in isolation or as a substitute for net income, cash flows provided by operating activities or other data prepared in accordance with generally accepted accounting principles, or as a measure of a company's profitability or liquidity. EBITDA measures as presented may not be comparable to other similarly titled measures of other companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Capital Reserves and Liquidity."

SUMMARY OPERATING AND RESERVE DATA

The following table presents an unaudited summary of certain operating and oil and gas reserve data for the periods indicated.

	YEARS ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1999	2000
		(RESTATED)		
PRODUCTION:				
Oil production (MBbls).....	75	71	54	56
Natural gas production (MMcf).....	442	443	342	511
Equivalent production (MMcfe).....	892	869	668	845
AVERAGE SALES PRICE:				
Oil price (per Bbl).....	$12.67	$16.73	$15.27	$21.39(1)
Natural gas price (per Mcf).....	1.91	2.09	1.92	3.29
AVERAGE SALES PRICE (PER MCFE).....	$ 2.01	$ 2.43	$ 2.25	$ 3.41
OPERATING AND OVERHEAD COSTS (PER MCFE):				
Lease operating expenses.....	$ 1.00	$ 1.06	$ 1.20	$ .87
Production and severance taxes.....	.17	.18	.16	.35
General and administrative.....	.25	.42	.40	.46
Total.....	$ 1.42	$ 1.66	$ 1.76	$ 1.68
CASH OPERATING MARGIN (PER MCFE).....	$ .59	$ .77	$ .49	$ 1.73
OTHER (PER MCFE):				
Depreciation, depletion and amortization--oil and gas properties.....	$ .43	$ .43	$ .48	$ .37
ESTIMATED NET PROVED RESERVES (AS OF THE RESPECTIVE PERIOD-END):.....				
Natural gas (Bcf).....	17.3	19.3	N/A	48.7

Oil (MMbls).....	1.9	1.6	N/A	3.9
Total (Bcfe).....	28.7	29.2	N/A	72.0
Reserve Life (in years)(2).....	9.1	14.1	N/A	17.5
Estimated Future Net Revenues ($MM)(2)(3).....	$ 33.4	$ 50.1	N/A	$306.7
Present Value ($MM)(2)(3).....	$ 25.3	$ 30.5	N/A	$174.6

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(1) Net of results of crude oil hedging activities in 2000 which reduced the average oil price in the nine months ended September 30, 2000 by $7.57 per Bbl. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

(2) See "Certain Technical Terms".

(3) The prices used in calculating Estimated Future Net Revenues and the Present Value are determined using prices as of period end. Estimated Future Net Revenues and the Present Value give no effect to federal or state income taxes attributable to estimated future net revenues. See "Business and Properties--Reserves".

RISK FACTORS

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. BEFORE YOU BUY ANY UNITS OFFERED BY THIS PROSPECTUS YOU SHOULD CONSIDER CAREFULLY THE FOLLOWING RISK FACTORS, TOGETHER WITH ALL OF THE OTHER INFORMATION IN THIS PROSPECTUS.

RISKS RELATED TO GMX

OUR WELLS PRODUCE OIL AND GAS AT A RELATIVELY SLOW RATE.

We expect that our existing wells and other wells that we plan to drill on our existing properties will produce the oil and gas constituting the reserves associated with those wells over a period of between 15 and 70 years at relatively low annual rates of production. By contrast, wells located in other areas of the United States, such as offshore gulf coast wells, may produce all of their reserves in a shorter period, for example, four to seven years. Because of the relatively slow rates of production of our wells, our reserves will be affected by long term changes in oil or gas prices or both and we will be limited in our ability to anticipate any price declines by increasing rates of production. We may hedge our reserve position by selling oil and gas forward for limited periods of time but do not expect that, in declining markets, the price of any such forward sales will be attractive.

WE HAVE LIMITED OPERATING HISTORY.

We were organized in 1998 and have been in operation for less than three years. Our limited operating history may not be indicative of our future prospects. We face all of the risks inherent in a new business, including:

- the risk that we will be unable to implement our business plan and achieve our expected financial results;
- the risk that we will be unable to manage growth in our operations by adding personnel, systems and practices necessary to operate a larger business; and
- the risk that, as a small business, we will be subject to market, environmental, regulatory and other developments that we cannot either foresee or control as well as can larger or more established businesses.

THE LOSS OF OUR PRESIDENT OR OTHER KEY PERSONNEL COULD ADVERSELY AFFECT US.

We depend to a large extent on the efforts and continued employment of Ken L. Kenworthy, Jr., our President, and Ken L. Kenworthy, Sr., our Executive Vice President. The loss of the services of either of them could adversely affect our business. In addition, it is a default under our credit agreement if there is a significant change in management or ownership.

WE ARE MANAGED BY THE MEMBERS OF A SINGLE FAMILY, GIVING THEM INFLUENCE AND CONTROL IN CORPORATE TRANSACTIONS AND THEIR INTERESTS MAY DIFFER FROM THOSE OF OTHER SHAREHOLDERS.

Our executive officers consist of Ken L. Kenworthy, Jr., his father, his brother and one other person. Because of the family relationship among members

of management, certain employer/employee relationships, including performance evaluations and compensation reviews may not be conducted on a fully arms-length basis as would be the case if the family relationships did not exist. Our board of directors following this offering will include members unrelated to the Kenworthy family and we expect that significant compensation and other relationship issues between GMX and its management will be reviewed and approved by an appropriate committee of outside directors. However, as the owners of a majority of our common stock, the Kenworthys have appointed the current directors and will have the power to remove and replace directors.

HEDGING OUR PRODUCTION MAY RESULT IN LOSSES OR LIMIT POTENTIAL GAINS.

To reduce our exposure to fluctuations in the prices of oil and natural gas, we currently have, and may in the future enter into hedging arrangements. Hedging arrangements expose us to risk of financial loss in some circumstances, including the following:

- production is less than expected;
- the counter-party to the hedging contract defaults on its contact obligations; or
- there is a change in the expected differential between the underlying price in the hedging agreement and actual prices received.

In addition, these hedging arrangements may limit the benefit we would receive from increases in the prices for oil and natural gas. If we choose not to engage in hedging arrangements in the future, we may be more adversely affected by changes in oil and natural gas prices than our competitors who engage in hedging arrangements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Hedging."

RAPID GROWTH MAY PLACE SIGNIFICANT DEMANDS ON OUR RESOURCES.

After this offering, we expect significant expansion of our operations. Our anticipated future growth will place a significant demand on our managerial, operational and financial resources due to:

- the need to manage relationships with various strategic partners and other third parties;
- difficulties in hiring and retaining skilled personnel necessary to support our business;
- the need to train and manage a growing employee base; and
- pressures for the continued development of our financial and information management systems.

If we have not made adequate allowances for the costs and risks associated with this expansion or if our systems, procedures or controls are not adequate to support our operations, our business could be harmed.

RISKS RELATED TO THE OIL AND GAS INDUSTRY

A SUBSTANTIAL DECREASE IN OIL AND NATURAL GAS PRICES WOULD HAVE A MATERIAL IMPACT ON US.

Our future financial condition and results of operations are dependent upon the prices we receive for our oil and natural gas production. Oil and natural gas prices historically have been volatile and likely will continue to be volatile in the future. This price volatility also affects our common stock price. In 1999, we received gas and oil prices at the wellhead ranging from $0.91 to $2.91 per Mcf and $10.50 to $25.35 per Bbl. In the first nine months of 2000, we received gas and oil prices ranging from $2.40 to $4.80 per Mcf and $25.64 to $33.50 per Bbl. Oil and gas prices in 2000 have reached their highest level in the last several years and we cannot assure you that they will remain at these levels. We cannot predict oil and natural gas prices and prices may decline in the future. The following factors have an influence on oil and natural gas prices:

- relatively minor changes in the supply of and demand for oil and natural gas;
- storage availability;
- weather conditions;
- market uncertainty;
- domestic and foreign governmental regulations;

- the availability and cost of alternative fuel sources;

- the domestic and foreign supply of oil and natural gas;

- the price of foreign oil and natural gas;

- political conditions in oil and natural gas producing regions, including the Middle East; and

- overall economic conditions.

WE MAY ENCOUNTER DIFFICULTY IN OBTAINING EQUIPMENT AND SERVICES.

Recent increased oil and gas drilling activity in the regions in which we own properties has resulted in increased demand for drilling rigs, other oilfield equipment, personnel and other services. We may experience increased costs or shortages or unavailability of drilling rigs, drill pipe and other material and other services used in oil and gas drilling. Such unavailability could result in increased costs, delays in timing of anticipated development or cause interests in oil and gas leases to lapse. We cannot be certain that we will be able to implement our drilling plans or at costs that will be as estimated or acceptable to us.

ESTIMATING OUR RESERVES FUTURE NET CASH FLOWS IS DIFFICULT TO DO WITH ANY CERTAINTY.

There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves and their values, including many factors beyond our control. The reserve data included in this prospectus represents only estimates. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data, the precision of the engineering and geological interpretation, and judgment. As a result, estimates of different engineers often vary. The estimates of reserves, future cash flows and present value are based on various assumptions, including those prescribed by the Securities and Exchange Commission, and are inherently imprecise. Actual future production, cash flows, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves may vary substantially from our estimates. Also, the use of a 10% discount factor for reporting purposes may not necessarily represent the most appropriate discount factor, given actual interest rates and risks to which our business or the oil and natural gas industry in general are subject.

Quantities of proved reserves are estimated based on economic conditions, including oil and natural gas prices in existence at the date of assessment. A reduction in oil and gas prices not only would reduce the value of any proved reserves, but also might reduce the amount of oil and gas that could be economically produced, thereby reducing the quantity of reserves. Our reserves and future cash flows may be subject to revisions, based upon changes in economic conditions, including oil and natural gas prices, as well as due to production results, results of future development, operating and development costs, and other factors. Downward revisions of our reserves could have an adverse affect on our financial condition and operating results.

OUR FUTURE PERFORMANCE DEPENDS UPON OUR ABILITY TO FIND OR ACQUIRE ADDITIONAL OIL AND NATURAL GAS RESERVES THAT ARE ECONOMICALLY RECOVERABLE.

Unless we successfully replace the reserves that we produce, our reserves will decline, resulting eventually in a decrease in oil and natural gas production and lower revenues and cash flows from operations. The business of exploring for, developing or acquiring reserves is capital intensive. We may not be able to make the necessary capital investment to maintain or expand our oil and natural gas reserves if cash flows from operations are reduced, due to lower oil and natural gas prices or otherwise, or if external sources of capital become limited or unavailable. In addition, our drilling activities are subject to numerous risks, including the risk that no commercially productive oil or gas reserves will be

encountered. We expect to also pursue property acquisition opportunities. We cannot assure you that we will successfully consummate any future acquisition, that we will be able to acquire producing oil and natural gas properties that contain economically recoverable reserves or that any future acquisition will be profitably integrated into our operations.

OPERATIONAL RISKS IN OUR BUSINESS ARE NUMEROUS AND COULD MATERIALLY IMPACT US.

Our operations involve operational risks and uncertainties associated with drilling for, and production and transportation of, oil and natural gas, all of which can affect our operating results. Our operations may be materially

curtailed, delayed or canceled as a result of numerous factors, including:

- the presence of unanticipated pressure or irregularities in formations;

- accidents;

- title problems;

- weather conditions such as the cold weather occurring in the fourth quarter of 2000 which caused some of our wells to be shut in for a few days;

- compliance with governmental requirements; and

- shortages or delays in the delivery of equipment.

Also, our ability to market oil and natural gas production depends upon numerous factors, many of which are beyond our control, including:

- capacity and availability of oil and natural gas systems and pipelines;

- effect of federal and state production and transportation regulations; and

- changes in supply of and demand for oil and natural gas.

WE DO NOT INSURE AGAINST ALL POTENTIAL LOSSES AND COULD BE MATERIALLY IMPACTED BY UNINSURED LOSSES.

Our operations are subject to the risks inherent in the oil and natural gas industry, including the risks of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental accidents, such as oil spills, gas leaks, salt water spills and leaks, ruptures or discharges of toxic gases. If any of these risks occur in our operations, we could experience substantial losses due to:

- injury or loss of life;

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

- pollution or other environmental damage;

- clean-up responsibilities;

- regulatory investigation and penalties; and

- other losses resulting in suspension of our operations.

In accordance with customary industry practice, we maintain insurance against some, but not all, of the risks described above with a general liability limit of $2 million. We do not maintain insurance for damages arising out of exposure to radioactive material. Even in the case of risks against which we are insured, our policies are subject to limitations and exceptions that could cause us to be unprotected against some or all of the risk. The occurrence of an uninsured loss could have a material adverse effect on our financial condition or results of operations.

GOVERNMENTAL REGULATIONS COULD ADVERSELY AFFECT OUR BUSINESS.

Our business is subject to certain federal, state and local laws and regulations on taxation, the exploration for and development, production and marketing of oil and natural gas, and environmental and safety matters. Many laws and regulations require drilling permits and govern the spacing of wells, rates of production, prevention of waste and other matters. These laws and regulations have increased the costs of our operations. In addition, these laws and regulations, and any others that are passed by the jurisdictions where we have production could limit the total number of wells drilled or the allowable production from successful wells which could limit our revenues.

Laws and regulations relating to our business frequently change, and future laws and regulations, including changes to existing laws and regulations, could adversely affect our business.

ENVIRONMENTAL LIABILITIES COULD ADVERSELY AFFECT OUR BUSINESS.

In the event of a release of oil, gas or other pollutants from our operations into the environment, we could incur liability for personal injuries, property damage, cleanup costs and governmental fines. We could potentially discharge these materials into the environment in any of the following ways:

- from a well or drilling equipment at a drill site;

- leakage from gathering systems, pipelines, transportation facilities and storage tanks;

- damage to oil and natural gas wells resulting from accidents during normal operations; and

- blowouts, cratering and explosions.

In addition, because we may acquire interests in properties that have been operated in the past by others, we may be liable for environmental damage, including historical contamination, caused by such former operators. Additional liabilities could also arise from continuing violations or contamination not discovered during our assessment of the acquired properties.

COMPETITION IN THE OIL AND GAS INDUSTRY IS INTENSE, AND WE ARE SMALLER AND HAVE A MORE LIMITED OPERATING HISTORY THAN MANY OF OUR COMPETITORS.

We compete with major integrated oil and gas companies and independent oil and gas companies in all areas of operation. In particular, we compete for property acquisitions and for the equipment and labor required to operate and develop these properties. Most of our competitors have substantially greater financial and other resources than we have. In addition, larger competitors may be able to absorb the burden of any changes in federal, state and local laws and regulations more easily than we can, which would adversely affect our competitive position. These competitors may be able to pay more for exploratory prospects and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than we can. Further, our competitors may have technological advantages and may be able to implement new technologies more rapidly than we can. Our ability to explore for natural gas and oil prospects and to acquire additional properties in the future will depend on our ability to conduct operations, to evaluate and select suitable properties and to consummate transactions in this highly competitive environment. In addition, most of our competitors have operated for a much longer time than we have and have demonstrated the ability to operate through industry cycles.

WE MAY INCUR WRITE-DOWNS OF THE NET BOOK VALUES OF OUR OIL AND GAS PROPERTIES WHICH WOULD ADVERSELY AFFECT OUR SHAREHOLDERS' EQUITY AND EARNINGS.

The full cost method of accounting, which we follow, requires that we periodically compare the net book value of our oil and gas properties, less related deferred income taxes, to a calculated "ceiling". The ceiling is the estimated after-tax present value of the future net revenues from proved reserves using a 10% annual discount rate and using constant prices and costs. Any excess of net book value of

oil and gas properties is written off as an expense and may not be reversed in subsequent periods even though higher oil and gas prices may have increased the ceiling in these future periods. A write-off constitutes a charge to earnings and reduces shareholders' equity, but does not impact our cash flows from operating activities. Future write-offs may occur which would have a material adverse effect on our net income in the period taken, but would not affect our cash flows. Even though such write-offs do not affect cash flow, they can be expected to have an adverse effect on the price of our publicly traded securities.

RISKS RELATED TO THIS OFFERING

AN ACTIVE PUBLIC MARKET FOR OUR COMMON STOCK AND WARRANTS MAY NOT DEVELOP OR BE SUSTAINED AFTER THE OFFERING, AND WE EXPECT THAT OUR STOCK PRICE WILL BE VOLATILE.

There has been no prior public market for our common stock and warrants, and an active public market for our common stock and warrants may not develop or be sustained after the offering. The initial public offering price of the units will be determined by negotiation between us and the managing underwriter and may not be indicative of the market price of our common stock and warrants following the offering. The price at which the common stock and warrants will trade in the public market after the offering may be less than the initial public offering price you paid for the units. In addition, we expect the market price of the common stock and warrants to be volatile because we expect our stock price to fluctuate with changes in natural gas and oil prices, which have historically been volatile, and other market conditions.

The market for the Class B warrants if issued will also be dependent on the number of warrants actually used and whether such warrants will qualify for listing on NASDAQ, as to which there is no assurance.

YOU WILL SUFFER IMMEDIATE DILUTION OF APPROXIMATELY 70% OF YOUR INVESTMENT.

We anticipate that the initial public offering price of the units will be substantially higher than the net tangible book value per share of our common stock after this offering. As a result, you will incur immediate dilution of approximately $5.63, in net tangible book value for each share of our common stock included in the units you purchase.

FUTURE SALES OF OUR COMMON STOCK BY OUR EXISTING SHAREHOLDERS COULD DECREASE THE TRADING PRICE OF OUR COMMON STOCK.

Sales of a large number of shares of our common stock in the public markets after this offering, or the potential for such sales, could decrease the trading price of our common stock and warrants and could impair our ability to raise capital through future sales of our common stock. Upon completion of this offering, there will be 4,250,000 shares of our common stock outstanding. The 1,250,000 shares of common stock sold in this offering are and the 2,500,000 shares of common stock reserved for issuance upon exercise of the Class A and Class B warrants will be, if and when issued, freely tradeable without restrictions or further registration under the Securities Act of 1933, unless such shares are purchased by our "affiliates," as that term is defined in the Securities Act of 1933.

An additional 3,000,000 shares of common stock are outstanding. All of these shares may be sold in the future subject to compliance with securities laws and lock-up agreements to which these shares are subject. The lock-up agreements with the managing underwriter prohibit the sale in the public market of all of these shares for one year following the completion of this offering, unless permitted by the managing underwriter. Lock up agreements required by various states prohibit sales of "promotional shares" for a period of one year following the completion of the offering and permit sales of up to 2.5% per quarter of the promotional shares during the second year. Approximately 2,900,000 of the existing shares are considered promotional shares. These agreements expire two years

after the completion of the offering or earlier if the company's shares are listed on a national securities exchange or the NASDAQ National Market.

OUR PRINCIPAL SHAREHOLDERS OWN A SIGNIFICANT AMOUNT OF COMMON STOCK, GIVING THEM CONTROL OVER CORPORATE TRANSACTIONS AND OTHER MATTERS.

On completion of this offering, Ken L. Kenworthy, Jr. and Ken L. Kenworthy, Sr. will beneficially own approximately 45% and 23%, respectively, of our outstanding common stock. These shareholders, acting together, will be able to control the outcome of shareholder votes, including votes concerning the election of directors, the adoption or amendment of provisions in our certificate of incorporation or bylaws and the approval of mergers and other significant corporate transactions. This concentrated ownership makes it unlikely that any other holder or group of holders of common stock will be able to affect the way we are managed or the direction of our business. These factors may also delay or prevent a change in the management or voting control of GMX.

WE HAVE NOT PAID DIVIDENDS AND DO NOT ANTICIPATE PAYING ANY DIVIDENDS ON OUR COMMON STOCK IN THE FORESEEABLE FUTURE.

We anticipate that we will retain all future earnings and other cash resources for the future operation and development of our business. We do not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of our Board of Directors after taking into account many factors, including our operating results, financial condition, current and anticipated cash needs and other factors. The declaration and payment of any future dividends is currently prohibited by our credit agreement and may be similarly restricted in the future.

THE EXISTENCE OF OUTSTANDING WARRANTS MAY IMPAIR OUR ABILITIES TO RAISE CAPITAL.

After completion of this offering, there will be 1,250,000 shares of our common stock issuable upon exercise of the Class A warrants issued in this offering at a price of $ per share if exercised before , 2002 and $ per share if exercised thereafter. These Class A warrants will be exercisable to purchase common stock that would represent 23% of the common stock outstanding following such exercise, assuming no other change in our outstanding common stock. If the Class A warrants are exercised in full before , 2002, there

will be an additional 1,250,000 shares of our common stock issuable upon exercise of the Class B warrants at a price of $ per share. These Class B warrants will be exercisable to purchase common stock that would represent 19% of the common stock outstanding following such exercise, assuming no other change in our outstanding common stock. During the life of the warrants, the holders are given an opportunity to profit from a rise in the market price of our common stock with a resulting dilution in the interest of the other shareholders. Our ability to obtain additional financing during the period the warrants are outstanding may be adversely affected and the existence of the warrants may have an effect on the price of our common stock. The holders of the warrants may be expected to exercise them at a time when we would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the warrants.

HOLDERS OF WARRANTS MAY NOT BE ABLE TO EXERCISE THE WARRANTS IF WE DO NOT MAINTAIN AN EFFECTIVE REGISTRATION STATEMENT.

We are required to use commercially reasonable efforts to maintain a registration statement relating to the offer and sale of the common stock underlying the warrants offered in this offering and to qualify the warrants for sale in jurisdictions in which the warrant holders reside unless an exemption from such registration or qualification exists. If such registration is not maintained, the holders of the warrants may not be able to exercise them. We have the right, but not the obligation, so long as our shares of common stock are listed on a securities exchange or there are least two independent market

makers, to pay a holder exercising the warrants the difference between the exercise price and the market price of the common stock on the date of exercise in lieu of registering the underlying common stock.

FORWARD LOOKING STATEMENTS

All statements made in this document and accompanying supplements other than purely historical information are "forward looking statements" within the meaning of the federal securities laws. These statements reflect expectations and are based on historical operating trends, proved reserve positions and other currently available information. Forward looking statements include statements regarding future plans and objectives, future exploration and development expenditures and number and location of planned wells and statements regarding the quality of our properties and potential reserve and production levels. These statements may be preceded or followed by or otherwise include the words "believes", "expects", "anticipates", "intends", "plans", "estimates", "projects" or similar expressions or statements that events "will" or "may" occur. Except as otherwise specifically indicated, these statements assume that no significant changes will occur in the operating environment for oil and gas properties and that there will be no material acquisitions or divestitures except as otherwise described.

The forward looking statements in this prospectus are subject to all the risks and uncertainties which are described in this document. We may also make material acquisitions or divestitures or enter into financing transactions. None of these events can be predicted with certainty or not taken into consideration in the forward looking statements.

For all of these reasons, actual results may vary materially from the forward looking statements and we cannot assure you that the assumptions used are necessarily the most likely. We will not necessarily update any forward looking statements to reflect events or circumstances occurring after the date the statement is made except as may be required by federal securities laws.

USE OF PROCEEDS

We expect the net proceeds from this offering to be approximately $8.55 million, after deducting discounts to the underwriters and estimated expenses of this offering that we will pay, assuming an initial public offering price of $8.00 per unit. If the underwriters exercise in full their over-allotment option to purchase additional shares, estimated net proceeds that we will receive from the offering will increase to approximately $9.945 million, assuming an initial public offering price of $8.00 per unit.

We plan to use the net proceeds from the offering as follows:

<TABLE>
<CAPTION>

USE	DOLLAR AMOUNT	PERCENT OF NET PROCEEDS
<S>	<C>	<C>
Repay debt	$ 427,500	5%

Drilling of oil and gas wells.....	$8,122,500	95%
Total.....	$8,550,000	100%

</TABLE>

If the over-allotment option is exercised in full, we plan to use the additional estimated $1.395 million for drilling of oil and gas wells.

We plan to drill up to 30 wells with proved undeveloped reserves of 48 Bcfe with an estimated capital cost of approximately $13.0 million after the completion of the offering and prior to December 31, 2001. We also plan to spend additional amounts to test deeper unproved zones in some of these same wells at additional cost which we estimate to be as much as $1.5 million for the initial three wells. If these wells are successful, we will likely continue to drill these deeper wells and incur additional costs. We expect to use internal cash flows or proceeds from borrowings under our credit facility in addition to the proceeds from this offering for this purpose. Those funds are expected to

meet our cash requirements for at least 12 months. The actual wells, costs and timing may vary depending on drilling results, equipment availability, commodity prices and other factors. However, a number of factors affecting drilling and our plans may change.

The debt to be repaid is $427,500 to Ken L. Kenworthy, Jr., our president and principal shareholder. This debt matures in April, 2001 and bears interest at a rate approximating the prime rate, which rate was 9.5% at November 30, 2000. $227,500 of this amount will be used by Mr. Kenworthy to retire debt incurred personally to loan funds to the company. Except for the difference in principal amount, the terms of Mr. Kenworthy's loan to the company were the same as those applicable to his personal debt.

We have a secured revolving credit facility which is more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations". After the offering, we expect the credit facility to remain in place or be replaced with a larger facility on more favorable terms. We expect to borrow on the credit facility in the future for additional development or general corporate purposes.

Until used as described above, proceeds may be held in money market instruments, deposits or similar investments or may be applied to temporarily reduce borrowings under our credit facility.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our shares of common stock and do not anticipate paying any cash dividends on our shares of common stock in the foreseeable future. Currently, we intend to retain any future earnings for use in the operation and expansion of our business. Any future decision to pay cash dividends will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements and other factors our board of directors may deem relevant. The payment of dividends is currently prohibited under the terms of our revolving credit facility and may be similarly restricted in the future.

CAPITALIZATION

The following table sets forth as of September 30, 2000 our historical capitalization on an actual amd pro forma basis, and our pro forma as adjusted capitalization after giving effect to the sale of 1,250,000 units in this offering at an assumed initial public offering price of $8.00 per unit and the application of the estimated net proceeds from the offering as set forth in "Use of Proceeds."

This table should be read in conjunction with our financial statements included elsewhere in this prospectus.

<TABLE>
<CAPTION>

	SEPTEMBER 30, 2000		
	HISTORICAL	PRO FORMA(1)	PRO FORMA AS ADJUSTED
<S>	<C>	<C>	<C>
CURRENT PORTION OF LONG-TERM DEBT			
Bank revolving credit facility and other debt	$ 695,729	$ 695,729	$ 695,729
Related party	427,500	427,500	--
Total	1,123,229	1,123,229	695,729
LONG-TERM DEBT:			
Bank revolving credit facility	5,807,000	6,581,000	6,581,000
SHAREHOLDERS' EQUITY:			
Preferred stock(2)			
Series A	1,500	--	--
Series B	220	--	--
Common stock(2)	2,275	3,000	4,250
Additional paid-in capital	2,046,614	1,390,731	9,939,481
Retained earnings	188,989	188,989	188,989
Treasury stock	(426,878)	--	--
Total shareholders' equity	1,812,720	1,582,720	10,132,720
TOTAL CAPITALIZATION	$8,762,949	$9,286,949	$17,409,449

</TABLE>

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(1) Pro forma information reflects adjustments for (a) amendment of our certificate of incorporation on October 30, 2000 to increase the authorized capital stock and reduce the par value from $0.01 to $0.001 per share for both common and preferred stock; (b) repurchase and retirement of outstanding Series B Preferred Stock for $230,000 on October 23, 2000, which was funded by additional borrowings; (c) conversion of outstanding Series A Preferred Stock into common stock on October 25, 2000; and (d) borrowing on October 31, 2000 of $544,000 to purchase interests in producing properties; and (e) retirement of previously purchased treasury stock.

(2) Shares authorized and issued for each class of stock are as follows:

<TABLE>
<CAPTION>

CLASS OR SERIES	HISTORICAL	AS ADJUSTED
<S>	<C>	<C>
COMMON STOCK		
Authorized	4,500,000	50,000,000
Issued (net of treasury stock)	106,754	4,250,000
PREFERRED STOCK		
Series A		
Authorized	150,000	--
Issued (net of treasury stock)	100,000	--
Series B		
Authorized	22,000	--
Issued	22,000	--
Undesignated		
Authorized	328,000	10,000,000
Issued	--	--

</TABLE>

DILUTION

If you invest in our units, the share of our net tangible book value represented by your units will be less than the amount you paid for your units to the extent of the difference between the public offering price per share of our common stock and the as adjusted pro forma net tangible book value per share of our common stock after this offering. For purposes of the dilution computation and the following tables, we have allocated the full purchase price of a unit to the share of common stock included in the unit and nothing to the warrant included in the unit. Net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total

liabilities, divided by the total number of shares of common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share paid by the purchasers of our units in this offering and the net tangible book value per share of our common stock immediately afterwards.

As of September 30, 2000, our pro forma net tangible book value was $1,532,295, or $.51 per share of common stock. Without taking into effect any changes in the pro forma net tangible book value after September 30, 2000, other than to give effect to the sale of 1,250,000 units in the offering at an assumed initial public offering price of $8.00 per unit and the receipt of the net proceeds of the offering, the pro forma net tangible book value of GMX as of September 30, 2000 would have been $10,082,295, or $2.37 per share. This represents an immediate increase in net tangible book value of $1.86 per share of common stock to existing shareholders and an immediate dilution of $5.63, or 70%, per share of common stock to the new investors who purchase units in the offering. The following table illustrates this per share dilution:

<TABLE>

<S>	<C>	<C>
Assumed initial public offering price		$ 8.00
Pro forma net tangible book value per share before the offering	$ .51	
Increase in net tangible book value per share attributable to new investors	1.86	
As adjusted pro forma net tangible book value per share after the offering		2.37
Dilution in pro forma tangible book value per share to new shareholders		5.63

</TABLE>

If the over-allotment option is exercised in full, dilution per share to new shareholders would be $5.41 per share of common stock.

The following table summarizes as of September 30, 2000, the difference (based on an assumed initial public offering price of $8.00 per unit) between the existing shareholders and the new shareholders with respect to the number of shares of common stock included in the units purchased, the total consideration paid, and the average price per share paid, attributing all of the purchase price of a unit to the share of common stock:

<TABLE>
<CAPTION>

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
<S>	<C>	<C>	<C>	<C>	<C>
Existing shareholders	3,000,000	71%	$ 717,276	6.7%	$ 0.24
New shareholders	1,250,000	29%	10,000,000	93.3%	$ 8.00
Total	4,250,000	100%	$10,717,276	100%	

</TABLE>

The above amounts and percentages assume no exercise of the over-allotment option, the warrants included in units sold in the offering or the underwriters' warrants.

SELECTED FINANCIAL DATA

The following table presents a summary of our financial information for the periods indicated. It should be read in conjunction with our consolidated financial statements and related notes and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this prospectus. The summary financial information as of and for the nine months ended September 30, 2000 and 1999, is unaudited and in the opinion of management, reflects all adjustments that are necessary for a fair statement of the financial position and results of operation of the interim periods presented. The results for the nine months ended September 30, 2000 are

not necessarily indicative of the results to be expected for the full year.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998(1)	1999	1999	2000
		(RESTATED)	(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:				
Oil and gas sales	$ 1,794,513	$ 2,122,770	$1,530,072	$ 2,879,968
Interest and other income	33,404	38,915	11,358	40,793
Total revenues	1,827,917	2,161,685	1,541,430	2,920,761
Lease operations	895,899	917,590	664,025	725,637
Production and severance taxes	150,052	157,193	128,801	295,469
General and administrative	226,313	368,824	225,240	388,145
Depreciation, depletion and amortization	433,374	436,474	317,706	313,348
Interest	419,897	486,234	385,209	431,925
Total expenses	2,125,535	2,366,315	1,720,981	2,154,524
Income (loss) before income taxes	(297,618)	(204,630)	(179,551)	766,237
Income taxes	--	--	--	75,000
Net income (loss)	$ (297,618)	$ (204,630)	$ (179,551)	$ 691,237
Net income (loss) applicable to common shares	$ (478,368)	$ (373,193)	$ (306,989)	$ 567,862
Net income (loss) per share--basic	$ (0.22)	$ (0.23)	$ (0.18)	$ 0.37
Net income (loss) per share--diluted	$ (0.22)	$ (0.23)	$ (0.18)	$ 0.19
Weighted average common shares--basic	2,176,500	1,632,375	1,692,883	1,549,000
Weighted average common shares--diluted	2,176,500	1,632,375	1,692,883	3,593,000
STATEMENT OF CASH FLOWS DATA:				
Net cash provided by operating activities	$ 197,231	$ 618,759	$ 274,516	$ 921,947
Net cash used in investing activities	(6,729,789)	(675,721)	(418,282)	(1,750,413)
Net cash provided by financing activities	6,642,348	482,385	281,107	547,194
BALANCE SHEET DATA (AT END OF PERIOD):				
Oil and gas properties, net	$ 6,870,847	$ 7,140,790	$6,985,599	$ 8,416,461
Total assets	8,003,667	8,973,163	8,299,277	10,272,755
Long-term debt, including current portion	5,677,348	6,181,813	6,198,173	6,930,229
Shareholders' equity	1,702,382	1,117,483	1,142,489	1,812,720
OTHER DATA:				
EBITDA(2)	555,653	718,078	523,364	1,511,510

</TABLE>

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(1) The Company began operations on January 23, 1998. As such, the 1998 period reflects activity from inception date to December 31, 1998.

(2) EBITDA is defined as income (loss) before interest, income taxes, depreciation, depletion and amortization costs. We believe that EBITDA is a financial measure commonly used in the oil and gas industry, and we use it, and expect investors to use it, as an indicator of a company's ability to service and incur debt or fund capital expenditures. One of our debt covenants uses a measure similar to EBITDA. However, EBITDA should not be considered in isolation or as a substitute for net income, cash flows provided by operating activities or other data prepared in accordance with generally accepted accounting principles, or as a measure of a company's profitability or liquidity. EBITDA measures as presented may not be comparable to other similarly titled measures of other companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Capital Reserves and Liquidity."

SUMMARY OPERATING AND RESERVE DATA

The following table presents an unaudited summary of certain operating and

oil and gas reserve data for the periods indicated.

	YEARS ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1999	2000
PRODUCTION:				
Oil production (MBbls)	75	71	54	56
Natural gas production (MMcf)	442	443	342	511
Equivalent production (MMcfe)	892	869	668	845
AVERAGE SALES PRICE:				
Oil price (per Bbl)	$12.67	$16.73	$15.27	$21.39(1)
Natural gas price (per Mcf)	1.91	2.09	1.92	3.29
AVERAGE SALES PRICE (PER MCFE)	$ 2.01	$ 2.43	$ 2.25	$ 3.41
OPERATING AND OVERHEAD COSTS (PER MCFE):				
Lease operating expenses	$ 1.00	$ 1.06	$ 1.20	$ .87
Production and severance taxes	.17	.18	.16	.35
General and administrative	.25	.42	.40	.46
Total	$ 1.42	$ 1.66	$ 1.76	$ 1.68
CASH OPERATING MARGIN (PER MCFE)	$ .59	$ .77	$ .49	$ 1.73
OTHER (PER MCFE):				
Depreciation, depletion and amortization--oil and gas properties	$ .43	$ .43	$ .48	$ .37
ESTIMATED NET PROVED RESERVES (AS OF THE RESPECTIVE PERIOD-END):				
Natural gas (Bcf)	17.3	19.3	N/A	48.7
Oil (MMbls)	1.9	1.6	N/A	3.9
Total (Bcfe)	28.7	29.2	N/A	72.0
Reserve Life (in years)(2)	9.1	14.1	N/A	17.5
Estimated Future Net Revenues ($MM)(2)(3)	$ 33.4	$ 50.1	N/A	$306.7
Present Value ($MM)(2)(3)	$ 25.3	$ 30.5	N/A	$174.6

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(1) Net of results of crude oil hedging activities in 2000 which reduced the average oil price in the nine months ended September 30, 2000 by $7.57 per Bbl. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

(2) See "Certain Technical Terms".

(3) The prices used in calculating Estimated Future Net Revenues and the Present Value are determined using prices as of period end. Estimated Future Net Revenues and the Present Value give no effect to federal or state income taxes attributable to estimated future net revenues. See "Business and Properties--Reserves".

RESULTS OF OPERATIONS--NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1999

OIL AND GAS SALES. Oil and gas sales in the first nine months of 2000 increased 88% to $2,879,968 compared to the first nine months of 1999, primarily due to increased prices for oil and gas, which accounted for 62% of the increase, and increased production of gas and oil, which accounted for the balance of the increase. The average price per barrel of oil and mcf of gas received in the first nine months of 2000 was $21.39 and $3.29, respectively, compared to $15.27 and $1.92 in the first nine months of 1999. During the first nine months of 2000, the company hedged 45,000 Bbls of oil through price swap agreements with a fixed price of $20.25 per bbl. The price swap agreements reduced sales revenues by $423,470. These price swap agreements continue at 5,000 bbl per month at a fixed price of $20.25 per bbl until December 31, 2000. Production of oil and natural gas also increased. Oil production for the first nine months of 2000 increased 3% to 56 Mbbl compared to 54 Mbbl for the prior year's first nine months. Gas production increased to 511 MMcf compared to 342 MMcf for the first nine months of 1999, an increase of 49%. Increased production in the first nine months of 2000 resulted from new production and the reworking

of certain wells.

LEASE OPERATIONS. Lease operations expense increased $61,612 in the first nine months of 2000 to $725,637, a 9% increase compared to the first nine months of 1999. Increased expense resulted from additional wells that were recompleted or drilled. Lease operations expense on an equivalent unit of production basis was $0.87 per Mcfe in the first nine months of 2000 compared to $1.20 per Mcfe for the first nine months of 1999. This decrease resulted from an increase in production.

PRODUCTION AND SEVERANCE TAXES. Production and severance taxes increased 129% to $295,469 in the first nine months of 2000 compared to $128,801 in the first nine months of 1999. Production and severance taxes are assessed on the value of the oil and gas produced. As a result, the increase resulted primarily from increased oil and gas sales as described above.

DEPRECIATION, DEPLETION AND AMORTIZATION. Depreciation, depletion and amortization expense decreased $4,358 to $313,348 in the first nine months of 2000, down 1% from the first nine months of 1999. This decrease is due primarily to higher production levels and a decrease in the depletion rate for 2000. The oil and gas depreciation, depletion and amortization rate per equivalent unit of production was $0.37 per Mcfe in 2000 compared to $0.48 per Mcfe in 1999.

INTEREST. Interest expense for the first nine months of 2000 was $431,925 compared to $385,209 for the first nine months of 1999. This increase is primarily attributable to higher average long term debt balances outstanding during 2000 as well as an increase in interest rates.

GENERAL AND ADMINISTRATIVE EXPENSE. General and administrative expense for the first nine months of 2000 was $388,145 compared to $225,240 for the first nine months of 1999, an increase of 72%. This increase of $162,905 was the result of an increase in salaries of $21,323 along with a decrease in reimbursements from third party working interest owners of $117,119 and an increase in other general and administrative expense of $24,463. The salary increase was a result of an increase in administrative salaries of $141,180 with the addition of administrative personnel but a decrease in operations salaries of $119,857 as a result of a reduction in operations personnel. The decrease in reimbursements resulted from a reduction in the overhead rates charged to third party working interest owners. General and administrative expense per equivalent unit of production was $0.46 per Mcfe for the 2000 period compared to $0.40 per Mcfe for the comparable period in 1999.

INCOME TAXES. Income tax expense for the first nine months of 2000 was $75,000. This increase resulted from company profits in 2000 exceeding prior year cumulative losses.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

OIL AND GAS SALES. Oil and gas sales in the year ended December 31, 1999 increased 18.3% to $2,122,770 compared to the year ended December 31, 1998, primarily due to increased prices for oil and gas. The average price per barrel of oil and mcf of gas received in 1999 was $16.73 and $2.09, respectively, compared to $12.67 and $1.91 in 1998. Production of oil decreased slightly and natural gas increased slightly. Oil production for 1999 decreased 5% to 71 Mbbl compared to 75 Mbbl barrels for the prior year. Gas production increased to 443 MMcf compared to 442 MMcf for an increase of 0.2%.

LEASE OPERATIONS. Lease operations expense increased $21,701 in 1999 to $917,590, a 2% increase compared to 1998. Lease operations expense on an equivalent unit of production basis was $1.06 per Mcfe in 1999 compared to $1.00 per Mcfe for 1998. The increased 1999 expense resulted from initial costs to improve the equipment and performance of certain wells.

PRODUCTION AND SEVERANCE TAXES. Production and severance taxes increased 5% to $157,193 in 1999 compared to $150,052 in 1998. Production and severance taxes are assessed on the value of the oil and gas produced. As a result, the increase resulted primarily from increased oil and gas sales as described above.

DEPRECIATION, DEPLETION AND AMORTIZATION. Depreciation, depletion and amortization increased $3,100 to $436,474 in 1999, up 1% from 1998. The oil and gas depreciation, depletion and amortization rate per equivalent unit of production was $0.43 per Mcfe in 1999, the same as in 1998.

INTEREST. Interest expense for the year ended December 31, 1999 was $486,234 compared to $419,897 for the year ended December 31, 1998. This increase is primarily attributable to higher average long term debt balances outstanding during 1999 as well as an increase in interest rates.

GENERAL AND ADMINISTRATIVE EXPENSE. General and administrative expense for 1999 was $368,824 compared to $226,313 for 1998. This increase of $142,511 was the result of an increase in salaries of $94,653 along with a decrease in reimbursements from third party working interest owners of $73,112. These increased expenses were partially offset by a decrease in legal and professional expense from 1998 to 1999 of $25,254. The salaries increase from 1998 to 1999 was due primarily to an executive salary increase of $103,000 which was reduced by a decrease in operations salaries of $8,347 due to a decrease in personnel. The decrease in reimbursements resulted from a reduction in overhead rates charged to third party working interest owners. General and administrative expense per equivalent unit of production was $0.42 per Mcfe for 1999 compared to $0.25 per Mcfe for the prior year.

INCOME TAXES. No income tax benefit was recognized as the company has not previously generated taxable income and has not met the requirements under generally accepted accounting principles to recognize a tax benefit.

CAPITAL RESOURCES AND LIQUIDITY

Our business is capital intensive. Our ability to grow our reserve base is dependent upon our ability to obtain outside capital and generate cash flows from operating activities to fund our investment activities. Our cash flows from operating activities are substantially dependent upon oil and gas prices and significant decreases in market prices of oil or gas could result in reductions of cash flow and affect the amount of our capital investment. Cash flows from financing activities are also a significant source of funding. We have relied heavily upon availability under our revolving bank credit facility and from drilling advances from outside investors.

CASH FLOW--NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1999

In the nine months ended September 30, 2000 and 1999, we spent $1,688,153 and $388,088, respectively, in oil and gas acquisitions and development activities. These investments were funded for the first nine months of 2000 by $921,947 in net cash provided by operations and $547,194 provided by financing activities, primarily borrowings. EBITDA in the first nine months of 2000 was $1,511,510 compared to $523,364 in the first nine months of 1999, an increase of 188%. This increase resulted primarily from increases in production and oil and gas prices. EBITDA is defined as income (loss) before interest, income taxes, depreciation, depletion and amortization. We believe that EBITDA is a financial measure commonly used in the oil and gas industry and we use it and expect investors to use it as an indicator of a company's ability to service and incur debt. However, EBITDA should not be considered in isolation or as a substitute for net income, cash flows provided by operating activities or other data prepared in accordance with generally accepted accounting principles, or as a measure of a company's profitability or liquidity. EBITDA measures as presented may not be comparable to other similarly titled measures of other companies.

CASH FLOW--1999 COMPARED TO 1998

In 1999 we expended $675,721 in investing activities compared to $6,729,789 in 1998. The 1998 amount included our initial purchase of oil and gas properties and equipment for $5,702,907. The 1999 year also included a repurchase of stock from a former shareholder in the amount of $408,469, $199,860 in acquisition costs of properties, and $582,047 of development costs. Net cash provided by operating activities in 1999 was $618,759 compared to $197,231 in 1998, reflecting significantly increased oil and gas sales. Financing activities provided $482,385 in cash flow in 1999, including approximately $690,604 in net borrowings and $220,785 in drilling advances. Financing activities provided $6,642,348 in 1998, including $1,000,000 from our initial capitalization and $5,642,348 from net long-term borrowings.

EBITDA in 1999 was $718,078 compared to $555,653 in 1998, primarily reflecting increased production and oil and gas prices.

CREDIT FACILITY

On October 31, 2000, we entered into a secured credit facility provided by Local Oklahoma Bank, n.a., which replaced our prior credit facility. The new credit facility provides for a line of credit of up to $15 million (the "Commitment"), subject to a borrowing base which is based on a periodic evaluation of oil and gas reserves which is reduced monthly to account for production ("Borrowing Base"). The amount of credit available to us at any one time under the credit facility is the lesser of the Borrowing Base or the amount of the Commitment. As of October 31, 2000, our Borrowing Base was $7.25 million

which will be reduced by $105,000 per month beginning December 1, 2000. The credit facility has a maturity date of May 1, 2003. Borrowings bear interest at the prime rate plus 1/2%. The credit facility requires payment of an annual facility fee equal to 1/2% on the unused amount of the Borrowing Base. We are obligated to make principal payments if the amount outstanding would exceed the Borrowing Base. Borrowings under the credit agreement are secured by substantially all of our oil and gas properties.

The credit facility contains various affirmative and restrictive covenants. The material covenants, which must be satisfied unless the lender otherwise agrees:

- Require us to maintain an adjusted current ratio as defined in the credit facility of 1 to 1.

- Require us to maintain a quarterly debt service coverage ratio of at least 1.1 to 1. The debt service coverage ratio is defined in the credit facility generally as net income plus depreciation, depletion and amortization plus interest expense divided by quarterly principal reduction requirements plus interest.

- Require a minimum tangible net worth of not less than $1.5 million, plus 75% of net income or other increases in equity after September 30, 2000.

- Prohibit any liens or any other debt in excess of $100,000.

- Prohibit sales of assets more than $100,000.

- Prohibit payment of dividends or repurchases of stock.

- Prohibit mergers or consolidations with other entities.

- Prohibit material changes in management.

We are in compliance with all of these covenants as of December 21, 2000. After this offering, we do not expect any of these covenants to materially restrict our activities because our financial condition will be significantly improved as a result of the receipt of the proceeds of the offering.

The credit facility is guaranteed by Messrs. Kenworthy, Jr. and Kenworthy, Sr. The amount of their guarantees is limited to a maximum of $1 million each.

At October 31, 2000, we had borrowed $7.25 million under the credit facility, leaving no availibility for borrowings to fund development drilling obligations based on the existing Borrowing Base. If our drilling program is successful and commodity prices remain at current levels, we expect our Borrowing Base will increase and thereby provide additional sources of funds for our planned capital expenditures.

In connection with the execution of the credit facility, we entered into a price swap agreement to hedge 5,000 barrels per month of oil production for the first six months of 2001 at a fixed price of $29.10 per bbl. Based upon the lenders' subsequent removal of the oil price hedging requirement, the Company settled the oil price swap agreement on December 20, 2000 and received $76,334.

SHAREHOLDER LOANS

Ken L. Kenworthy, Jr. has two loans outstanding to the company in the aggregate amount of $427,500 which were originated in 1999 in order to fund a purchase of stock from a former shareholder and provide working capital. These loans have a balance as of September 30, 2000 of $427,500, mature in March 2001 and bear interest at a rate which approximates the prime rate. These loans are secured by undeveloped oil and gas properties. Subsequent to September 30, 2000, Ken L. Kenworthy, Jr. and Ken L. Kenworthy, Sr. loaned the company an additional $230,000 to fund the company's repurchase of outstanding preferred stock from an unrelated party. This loan bears interest at a rate which approximated prime and was repaid on October 31, 2000, with an advance under our revolving credit facility. It is expected that the remaining loans will be repaid from the proceeds of the offering.

At September 30, 2000, we had a deficit working capital balance of $(1,050,045) and a current ratio--current assets as a ratio of current liabilities--of 1 to 1.79. Excluding shareholder loans and the current portion of long-term debt, we had a positive working capital balance of $73,184. Total long-term debt outstanding at September 30, 2000 was $5,807,000.

DRILLING ADVANCES

In 1999 we entered into a development agreement with Tara Energy Partnerships ("Tara"), an unrelated third party, relating to the development of two wells in east Texas. Tara acquired an 85% working interest in the wells and advanced its estimated share of drilling and completion costs for these wells. After Tara has received the return of its investment from oil and gas revenues or other repayments, the company is entitled to a reversionary interest in the wells. The size of the reversionary interest decreases based on the amount of time it takes Tara to achieve payout. At September 30, 2000, we had $73,525 in unexpended drilling advances from this arrangement. In October, 2000, we borrowed $544,000 under our credit facility to pay to Tara to cause payout to occur and increased our interest in the wells by 66% to 81%. The increase in interest had a Present Value of proved reserves as of September 30, 2000 of approximately $720,000. We may enter into similar arrangements in the future in order to finance the development of wells.

COMMITMENTS AND CAPITAL EXPENDITURES

Other than obligations under our long-term debt, our commitments for capital expenditures relate to planned development of oil and gas properties. We do not enter into drilling or development commitments until such time as a source of funding for such commitments is known to be available, either through drilling advances, internal cash flow, additional funding under our bank credit facility or, after the completion of the offering, working capital. Our ability to implement our business plan and develop our existing property base is substantially dependent upon our ability to obtain funding from this offering or other external sources because we do not have current availability under our credit facility or cash flow sufficient to fund our planned development drilling. If sufficient financing is not available, implementation of our business plan could be delayed and our growth strategy could be adversely affected.

HEDGING

We have entered into, and expect to periodically enter into, financial hedging activities with respect to a portion of projected oil and gas production through financial price swaps whereby we receive a fixed price for our production and pay a variable market price to the contract counterparty. These activities are intended to reduce our exposure to oil and gas price fluctuations. We may enter into hedges when we believe forward market conditions are relatively favorable, but we do not expect to hedge at any time more than 50% of our total production. Realized gains or losses from the settlement of these financial hedging activities are recognized in oil and gas sales when the associated production occurs. The gains and losses realized as a result of these hedging activities are substantially offset in the cash market when the hedged commodity is delivered. During 2000, we have hedged 5,000 barrels per month of oil at a fixed price of $20.25 per barrel, representing approximately 80% of our monthly oil production and approximately 30% of our total production. This hedge reduced our average oil price for the first nine months of 2000 from $28.96 to $21.39 per Bbl. These swaps expired on December 31, 2000. For the first six months of 2001, we have hedged 20,000 mmbtu of natural gas per month at a fixed price of $4.70 per mmbtu. These arrangements hedge approximately 35% of our estimated monthly gas production based on our September 30, 2000 reserve report. As noted above, we settled an oil price swap agreement covering the first six months of 2001 on December 20 for a gain of $76,334 which will be amortized into income during 2001 over the original term of the oil price swap agreement.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET ADOPTED

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") and in June 2000 issued SFAS 138, which amended certain provisions of SFAS 133. SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires the recognition of all derivatives as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for changes in the fair value of a derivative (that is gains and losses) depends on the intended use of the derivative and whether it qualifies as a hedge. The company plans to adopt the provisions of SFAS 133, as amended, in the first quarter of the year ending December 31, 2001, and is currently evaluating the effects of this pronouncement. If prices of oil and gas remain or increase from September 30, 2000 pricing levels, the Company would record a liability and a corresponding reduction in stockholders' equity equal to the fair value of the derivative financial instruments. As of September 30, 2000, the fair value was a liability of $221,827.

GENERAL

GMX is an independent oil and gas company. At the time of our organization in 1998, we acquired from an unrelated third party, for $6.0 million, producing and undeveloped properties located primarily in east Texas and northwestern Louisiana, Kansas and southeastern New Mexico. When we acquired them, the properties consisted of 71.1 net producing wells, 20,829 net developed and 317 net undeveloped acres. At the acquisition date, the properties had estimated proved developed producing reserves of 5 Bcfe. These properties were acquired out of a bankruptcy reorganization of a small, privately held company. We believe the properties had not been developed to their full potential as a result of the financial condition and lack of technical geological expertise of the prior owner. However, there was substantial high quality geological and engineering data available for the properties, waiting to be evaluated.

Since the acquisition, we have conducted an extensive geological and engineering evaluation of the property base, improved the operating efficiencies of the properties, recompleted or reworked 58 wells, drilled 3 additional wells and acquired additional related acreage and reserves. As a result, we have added proved reserves in existing producing wells and identified proved reserves that can be developed by drilling additional wells.

RESERVES

As of September 30, 2000, Sproule Associates Inc., our independent petroleum engineers, estimates our proved reserves have increased to 72 Bcfe. An estimated 24 Bcfe is expected to be produced from existing wells and another 48 Bcfe or 67% of the proved reserves, is classified as proved undeveloped. These reserves were identified by geological and engineering evaluation of the data we acquired with the properties, as well as by drilling three new wells and reworking or recompleting 58 wells. All of our proved undeveloped reserves are on locations which are adjacent to wells productive in the same formations. The three development wells drilled based on this work have all been completed as producers. As of September 30, 2000, we had interests in 158 producing wells, 130 of which we operate.

The following table shows the estimated net quantities of our proved reserves as of the dates indicated and the Estimated Future Net Revenues and Present Values attributable to total proved reserves at such dates.

<TABLE>
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,
	1998	1999	2000
<S>	<C>	<C>	<C>
PROVED DEVELOPED:			
Gas (MMcf)	8,597	9,194	15,079
Oil (MBbls)	780	1,083	1,444
Total (MMcfe)	13,277	15,692	23,743
PROVED UNDEVELOPED:			
Gas (MMcf)	8,704	10,084	33,618
Oil (MBbls)	1,084	564	2,446
Total (Mmcfe)	15,208	13,468	48,294
TOTAL PROVED:			
Gas (MMcf)	17,301	19,278	48,697
Oil (MBbls)	1,864	1,647	3,890
Total (MMcfe)	28,485	29,160	72,037
ESTIMATED FUTURE NET REVENUES(1)($000S)	$35,429	$50,052	$306,683
PRESENT VALUE(1)($000S)	$25,275	$30,523	$174,611
STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS($000S)	$19,246	$22,903	$118,046

</TABLE>

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(1) The prices used in calculating Estimated Future Net Revenues and the Present Value are determined using prices as of period end. Estimated Future Net Revenues and the Present Value give no effect to federal or state income taxes attributable to estimated future net revenues.

The significant increase in proved reserves from December 31, 1999 to September 30, 2000 resulted from the drilling and completion of three wells in the Travis Peak and Pettit formations in East Texas which confirmed the presence of additional undeveloped reserves in these formations as well as additional

geological and engineering evaluation of our property base.

The Estimated Future Net Revenues and Present Value are highly sensitive to commodity price changes and commodity prices have recently been highly volatile. The prices used to calculate Estimated Future Net Revenues and Present Value of our proved reserves as of September 30, 2000 were $30.39 per barrel for oil and $5.45 per Mcf for gas, adjusted for quality, contractual agreements, regional price variations and transportation and marketing fees. We estimate that if all other factors (including the estimated quantities of economically recoverable reserves) were held constant, a $1.00 per Bbl change in oil prices and a $.10 per Mcf change in gas prices from those used in calculating the Present Value would change such Present Value by $2,163,000 and $2,578,000 respectively, as of September 30, 2000.

Sproule Associates Inc., our independent reserve engineers, prepared the estimates of proved reserves as of September 30, 2000. Estimates of proved reserves for December 31, 1998 and December 31, 1999 were prepared by Jon Stromberg, an independent petroleum engineer. In October 2000, Mr. Stromberg became our Vice President--Operations.

No estimates of our proved reserves comparable to those included in this prospectus have been included in reports to any federal agency other than the Securities and Exchange Commission.

PROPERTIES

To date our activities have been conducted mainly in well known productive basins in the United States in which our acquired properties are located:

- The Sabine Uplift in East Texas and Louisiana;

- The Hugoton basin in Western Kansas and Oklahoma;

- The Sedgwick basin in Central Kansas; and

- The Tatum basin in Southeast New Mexico.

The following table sets forth certain information regarding our activities in each of our principal areas as of September 30, 2000.

<TABLE>
<CAPTION>

	EAST TEXAS AND LOUISIANA	WESTERN KANSAS AND OKLAHOMA	CENTRAL KANSAS	SOUTHEAST NEW MEXICO	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
PROPERTY STATISTICS:					
Proved reserves (MMcfe)	59,539	3,267	4,284	4,947	72,037
Percent of total proved reserves	83%	4%	6%	7%	100%
Gross producing wells	58	64	29	7	158
Net producing wells	35.4	20.3	12.4	5.6	73.7
Gross acreage	18,389	11,539	3,556	2,077	35,562
Net acreage	17,068	4,120	2,300	1,888	25,377
Proved undeveloped reserves (MMcfe)	42,411	312	1,576	3,995	48,294
Estimated development costs ($000s)	$ 9,900	$ 201	$ 675	$2,210	$12,986
Proved undeveloped locations	22	2	3	3	30
NINE MONTHS ENDED SEPTEMBER 30, 2000 RESULTS:					
Production (net) (MMcfe)	588	165	101	71	845
Average net daily production (Mcfe)	1,849	603	370	259	3,081

</TABLE>

EAST TEXAS AND NORTHWESTERN LOUISIANA

EAST TEXAS

The East Texas properties are located in Harrison and Panola Counties, Texas. These properties contain approximately 17,708 gross (16,540 net) acres with rights covering the Travis Peak, Pettit, Glen Rose and Cotton Valley formations. Our East Texas properties have 58.6 Bcfe of proved reserves or 81% of our total proved reserves at September 30, 2000, of which 42.4 Bcfe is classified as proved undeveloped.

We have interests in 49 gross (31.1 net) producing wells in East Texas, of which we operate 35. Average daily production net to our interest for the first nine months of 2000 was 1.4 MMcf of gas and 57 Bbls of oil. Production is primarily from the Betheny, Blocker and Waskom Fields. The producing lives of

these fields are generally 12 to 70 years. We have identified productive zones in the existing wells that are currently behind pipe and thus are not currently producing. These zones can be brought into production as existing reserves are depleted. The Blocker area includes 15 gross (13.5 net) wells in Harrison County which produce gas that is gathered, compressed and sold by Endeavor Pipeline, Inc., a subsidiary of GMX. Gas sold from the Blocker area has a high MMBtu content which results in a net price above Nymex average daily Henry Hub natural gas price. Oil is sold separately at a slight premium to the average Nymex Sweet Crude Cushing price, inclusive of deductions. Most of the planned development will be added to existing gathering systems under comparable contracts.

The undeveloped acreage in this area lies on Sabine Uplift just north of the Carthage Field. The area has 28 producing reservoirs at depths from 3,000 to 10,000 feet. The reservoir trends are similar to river channels and beach barrier bars and are generally substantial in length and sometimes width. These features occur in more than one producing horizon and we give first priority to drilling locations where a single well can drill through two or more producing zones. This increases the reserves recoverable through a single wellbore. We believe the natural gas development opportunities on this property base are substantial and abundant. Our proved undeveloped reserves are significant in this region consisting of 42 Bcfe, frequently located at the intersection of multiple crossing reservoir trends. We have successfully completed three new wells since December 31, 1999--the Bosh #1 and #2 and the J. Hancock #1 at depths ranging from 6,600 to 6,700 feet. These wells produce from multiple zones of the Pettit and Travis Peak formations and confirmed the existence of additional proved undeveloped reserves. We have completed mapping and evaluation of the Travis Peak and Pettit formations and have identified 22 drilling locations with proved undeveloped reserves in these zones. It is likely that as these locations are drilled, we will be able to identify still more such locations with proved undeveloped reserves.

Recent third party drilling in the vicinity of our development acreage confirms productive zones as shallow as 3700 feet in the Glenn Rose formation. We expect several wells will target this zone, but we have yet to complete our geological evaluation of this zone.

The Cotton Valley formation at depths of 8,500 to 10,000 feet is also present and productive on the entire East Texas property base. In 1998, we farmed out four 80-acre checkerboard locations in one of our 640-acre gas units to Andrew Alan Exploration which has since drilled two 10,000 feet successful Cotton Valley producing wells. One, the Patterson #1, was drilled in less than 30 days at a cost of approximately $900,000 and has estimated reserves of 1.5 Bcf in the Cotton Valley formation. The well also has five other zones that appear productive in the Travis Peak and Pettit formations now behind pipe. The other well, the Christian #1, was also drilled and completed successfully with initial production of 1,582 Mmcf per day.

We are studying the deeper potential in the Cotton Valley formation on our property block and the Patterson #1 well confirms our theory that the Cotton Valley formation may be underdeveloped. Prior Cotton Valley wells on our leasehold were all completed before 1983 and none of these wells

tested the entire zone. We believe current completion procedures and techniques have the potential to increase ultimate reserve recovery. Completed well costs for Cotton Valley wells range from $700,000 to $1,200,000 depending on completion methods. Our acreage position offers the potential for 187 natural gas Cotton Valley drilling locations. We plan to drill our first three wells containing proved undeveloped reserves in the Pettit and/or Travis Peak formations to the deeper Cotton Valley field to test this unproved zone more fully. If these wells are successful, we may drill additional Cotton Valley wells.

LOUISIANA

The Louisiana properties are located in Clairborne, Caddo, Catahoula and Webster parishes with production from the Cotton Valley, Hosston and Rodessa formations. We have 9 gross (4.3 net) producing wells, 6 of which we operate. Production is predominately oil. Louisiana proved reserves are 0.9 Bcfe and represent approximately 2% of proved reserves at September 30, 2000. Average daily production net to our interest for the first nine months of 2000 was 20 Bbls of oil and 23 Mcf of gas.

We are in the process of evaluation of additional behind pipe and undeveloped reserves in the region. The wells are producing around a piercement saltdome which has produced numerous structural traps for oil.

WESTERN KANSAS AND OKLAHOMA PANHANDLE

The Western Kansas and Oklahoma Panhandle areas are located in the Hugoton Embayment of Finney and Scott Counties in Kansas, and Texas County in Oklahoma. These areas combined consist of approximately 11,539 gross (4,120 net) acres. Our western Kansas and Oklahoma Panhandle properties have 3,267 MMcfe of proved reserves or 4% of our total proved reserves at September 30, 2000. The Hugoton Embayment is one of the largest gas fields on the North American Continent. We have a total of 64 gross (20.3 net) producing wells as of September 30, 2000. Substantially all of these wells penetrate multiple formations which have additional development potential. Average daily production net to our interest for the first nine months of 2000 was 181 Mcf of gas and 60 Bbls of oil. The producing reservoirs in the Hugoton Embayment have low permeability, so their production rates are generally modest while their productive lives are generally longer than 20 years.

In the Western Kansas properties, our ownership comprises approximately 10,899 gross (3,823 net) acres. Our producing properties are producing from various porosity intervals of the Chase, Lansing, Kansas City, Marmaton and Mississippian formations at depths from 2,500 to 4,600 feet. We have several producing units in this area. One of the larger units is the Nunn Pool waterflood. In a waterflood, water is pumped into the producing formation from one or more wells to force the oil to migrate to the production wells. The Nunn Pool Field is producing from the Mississippian and Marmaton formations and is producing 62 net barrels of oil per day as of September 30, 2000. We are currently evaluating the engineering plan to increase production from the Nunn Pool waterflood.

In Western Kansas, we have identified two locations with proved undeveloped reserves of 312 MMcfe as of September 30, 2000. We are continuing to evaluate these properties for further development potential.

Our Oklahoma acreage is the Etta Niles lease, which totals approximately 640 gross (297 net) acres, and is in the Carthage NW Field in Texas County, Oklahoma. Most of the gas production is from the Topeka limestone formation and oil production is from the Morrow formation. The company operates 3 producing wells and 1 saltwater disposal well with an average daily net production of 48 Mcf and 7 Bbls of oil for the first nine months of 2000.

CENTRAL KANSAS

The Central Kansas properties consist of approximately 3,556 gross (2,300 net) acres located in Kingman, Sedgwick, Kiowa and Comanche Counties that are part of the Sedgwick Basin. Proved reserves in Central Kansas represent 6% of our total proved reserves at September 30, 2000. Average daily production net to our interests for the first nine months of 2000 was 176 Mcf of gas and 32 Bbls of oil.

We have 29 gross (12.4 net) producing wells producing from the Mississippian formation, two of which are commingled in the Lansing Kansas City formation. Our Unruh Unit is a water flood of the Marmaton Limestone formation at a depth of approximately 4,600 feet. We have recently added new wells to this unit, improved the injection system and added the ability to increase the water injection volumes. Net production has recently increased 5 Bbls of oil per day because of these improvements.

We have identified three locations with proved undeveloped reserves as of September 30, 2000 and are continuing to review others.

SOUTHEAST NEW MEXICO

Our Southeast New Mexico properties are located in Lea and Roosevelt counties and consist of approximately 2,078 gross (1,888 net) acres. The acreage lies on the northwestern edge of the Midland Basin, defined as the Tatum Basin. Existing production is from three zones--the Bough C, Abo and San Andreas--at depths ranging from 9,500 to 10,000 feet. Proved reserves in Southeast New Mexico represent 7% of our total proved reserves at September 30, 2000. Average daily production net to our interests for the first nine months of 2000 from our

7 gross (5.6 net) producing wells in this area was 72 Mcf of gas and 32 Bbls of oil.

We have identified three locations with proved undeveloped reserves which are planned for drilling in the near future. If successful, each well could increase net production by approximately 55 Bbls of oil per day and 40 Mcf of gas per day. Third party drilling activity in the vicinity of our properties also suggests that deeper exploration may be warranted to the Atoka, Morrow and Devonian formations and we are considering 3D seismic evaluations of these formations.

COSTS INCURRED AND ACQUISITION AND DRILLING RESULTS

The following table shows certain information regarding the costs incurred by us in our acquisition and development activities during the periods indicated. We have not incurred any exploration costs.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1999	NINE MONTHS ENDED SEPTEMBER 30, 2000
<S>	<C>	<C>	<C>
PROPERTY ACQUISITION COSTS:			
Proved	$5,720,419	$ 514,212	$ --
Unproved	615,803	199,860	250,740
DEVELOPMENT COSTS	418,723	490,587	1,437,413
Total	$6,754,945	$1,204,659	$1,688,153

</TABLE>

The 1999 development costs included $195,000 spent on developing 459 Mcfe of proved undeveloped reserves as of December 31, 1998 which had an estimated development cost of $215,000. At year end 1999, these reserves were 988 Mcfe. The 2000 development costs included $727,000 spent on developing 768 Mcfe of proved undeveloped reserves as of December 31, 1999 which had an estimated development cost of $1,181,000. At September 30, 2000, these reserves were 1,408 Mcfe.

We acquired, drilled or participated in the drilling of wells as set out in the table below for the periods indicated. You should not consider the results of prior acquisition and drilling activities as necessarily indicative of future performance, nor should you assume that there is necessarily any correlation between the number of productive wells acquired or drilled and the oil and gas reserves generated by those wells.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				NINE MONTH ENDED SEPTEMBER 30,	
	1998		1999		2000	
	GROSS	NET	GROSS	NET	GROSS	NET
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ACQUIRED WELLS:						
Gas	65	31.8	--	--	--	--
Oil	90	39.3	--	--	--	--
Total	155	71.1	--	--	--	--
DEVELOPMENT WELLS:						
Gas	--	--	1	.8	--	--
Oil	--	--	1	.8	1	1
Dry	--	--	--	--	--	--
Total	--	--	2	1.6	1	1
EXPLORATORY WELLS:						
Gas	--	--	--	--	--	--
Oil	--	--	--	--	--	--
Dry	--	--	--	--	--	--
Total	--	--	--	--	--	--

</TABLE>

ACREAGE

The following table shows our developed and undeveloped oil and gas lease and mineral acreage as of September 30, 2000. Excluded is acreage in which our interest is limited to royalty, overriding royalty and other similar interests.

<TABLE>
<CAPTION>

	DEVELOPED		UNDEVELOPED	
LOCATION	GROSS	NET	GROSS	NET
<S>	<C>	<C>	<C>	<C>
East Texas and Louisiana	14,188	13,893	4,200	3,175
Western Kansas and Oklahoma	11,539	4,120	--	--
Central Kansas	3,556	2,300	--	--
Southeast New Mexico	1,760	1,571	317	317
Total	31,045	21,885	4,517	3,492

</TABLE>

Title to oil and gas acreage is often complex. Landowners may have subdivided interests in the mineral estate. Oil and gas companies frequently subdivide the leasehold estate to spread drilling risk and often create overriding royalties. When we purchased the properties, the purchase included title opinions prepared by counsel in the several states analyzing mineral ownership in each well drilled. Further, for each producing well there is a division order signed by the current recipients of payments from production stipulating their assent to the fraction of the revenues they receive. We obtain similar title opinions and division orders with respect to each new well drilled. While these practices, which are common in the industry, do not assure that there will be no claims against title to the wells or the associated revenues, we believe that we are within normal and prudent industry practices. Because many of the properties in our current portfolio were purchased out of bankruptcy in 1998, we have the advantage that any known or unknown liens against the properties were cleared in the bankruptcy.

PRODUCTIVE WELL SUMMARY

The following table shows our ownership in productive wells as September 30, 2000. Gross oil and gas wells include one well with multiple completions. Wells with multiple completions are counted only once for purposes of the following table.

<TABLE>
<CAPTION>

	PRODUCTIVE WELLS	
TYPE OF WELL	GROSS	NET
<S>	<C>	<C>
Gas	66	32.6
Oil	92	41.1
Total	158	73.7

</TABLE>

MARKETING AND PRICES

Our ability to market oil and gas often depends on factors beyond our control. The potential effects of governmental regulation and market factors, including alternative domestic and imported energy sources, available pipeline capacity, and general market conditions are not entirely predictable.

NATURAL GAS. Natural gas is generally sold pursuant to individually negotiated gas purchase contracts, which vary in length from spot market sales of a single day to term agreements that may extend several years. Customers who purchase natural gas include marketing affiliates of the major pipeline companies, natural gas marketing companies, and a variety of commercial and public authorities, industrial, and institutional end-users who ultimately consume the gas. Gas purchase contracts define the terms and conditions unique to each of these sales. The price received for natural gas sold on the spot market may vary daily, reflecting changing market conditions. The deliverability and price of natural gas are subject to both governmental regulation and supply and demand forces.

During the past several years, regional surpluses and shortages of natural gas have occurred, resulting in wide fluctuations in prices received.

All of our gas is currently sold under contracts providing for market sensitive terms which are terminable with 30-60 day notice by either party without penalty. This means that we enjoy the high prices in the current market and that we are subject to price declines if gas prices decline in the future.

CRUDE OIL. Oil produced from our properties will be sold at the prevailing field price to one or more of a number of unaffiliated purchasers in the area. Generally, purchase contracts for the sale of oil are cancelable on 30-days notice. The price paid by these purchasers is generally an established, or "posted," price that is offered to all producers. During the last several years prices paid for crude oil have fluctuated substantially. Future oil prices are difficult to predict due to the impact of worldwide economic trends, coupled with supply and demand variables, and such non-economic factors as the impact of political considerations on OPEC pricing policies and the possibility of supply interruptions.

For 1999, our largest purchasers included TeppCo Crude and Koch Gateway PipeLine which accounted for 75.4% and 19.3% of oil and natural gas sales, respectively. For the first nine months of 2000, the same purchasers accounted for 82.9% and 29.4%, respectively, of oil and natural gas sales, respectively. We do not believe that the loss of any our purchasers would have a material adverse affect on our operations. None of our gas or oil sales contracts have a term of more than one year.

REGULATION

EXPLORATION AND PRODUCTION. The exploration, production and sale of oil and gas are subject to various types of local, state and federal laws and regulations. These laws and regulations govern a wide range of matters, including the drilling and spacing of wells, allowable rates of production, restoration of surface areas, plugging and abandonment of wells and requirements for the operation of wells. Our operations are also subject to various conservation requirements. These include the regulation of the size and shape of drilling and spacing units or proration units and the density of wells which may be drilled and the unitization or pooling of oil and gas properties. In this regard, some states allow forced pooling or integration of tracts to facilitate exploration, while other states rely on voluntary pooling of lands and leases. In addition, state conservation laws establish maximum rates of production from oil and gas wells, generally prohibit the venting or flaring of natural gas and impose certain requirements regarding the ratability of production. All of these regulations may adversely affect the rate at which wells produce oil and gas and the number of wells we may drill. All statements in this prospectus about the number of locations or wells reflect current laws and regulations.

Laws and regulations relating to our business frequently change, and future laws and regulations, including changes to existing laws and regulations, could adversely affect our business.

ENVIRONMENTAL MATTERS. The discharge of oil, gas or other pollutants into the air, soil or water may give rise to liabilities to the government and third parties and may require us to incur costs to remedy discharges. Natural gas, oil or other pollutants, including salt water brine, may be discharged in many ways, including from a well or drilling equipment at a drill site, leakage from pipelines or other gathering and transportation facilities, leakage from storage tanks and sudden discharges from damage or explosion at natural gas facilities of oil and gas wells. Discharged hydrocarbons may migrate through soil to water supplies or adjoining property, giving rise to additional liabilities.

A variety of federal and state laws and regulations govern the environmental aspects of natural gas and oil production, transportation and processing and may, in addition to other laws, impose liability in the event of discharges, whether or not accidental, failure to notify the proper authorities of a discharge, and other noncompliance with those laws. Compliance with such laws and regulations may increase the cost of oil and gas exploration, development and production, although we do not currently anticipate that compliance will have a material adverse effect on our capital expenditures or earnings. Failure to comply with the requirements of the applicable laws and regulations could subject us to

substantial civil and/or criminal penalties and to the temporary or permanent curtailment or cessation of all or a portion of our operations.

The Comprehensive Environmental Response, Compensation and Liability Act or CERCLA, also known as the "superfund law", imposes liability, regardless of fault or the legality of the original conduct, on some classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of a disposal site or sites where the release occurred and companies that dispose or arrange for disposal of the hazardous substances found at the time. Persons who are or were responsible for releases of hazardous substances under CERCLA may be

subject to joint and severable liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. We could be subject to the liability under CERCLA because our drilling and production activities generate relatively small amounts of liquid and solid waste that may be subject to classification as hazardous substances under CERCLA.

The Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), is the principal federal statute governing the treatment, storage and disposal of hazardous wastes. RCRA imposes stringent operating requirements, and liability for failure to meet such requirements, on a person who is either a "generator" or "transporter" of hazardous waste or an "owner" or "operator" of a hazardous waste treatment, storage or disposal facility. At present, RCRA includes a statutory exemption that allows most oil and natural gas exploration and production waste to be classified as nonhazardous waste. A similar exemption is contained in many of the state counterparts to RCRA. As a result, we are not required to comply with a substantial portion of RCRA's requirements because our operations generate minimal quantities of hazardous wastes. At various times in the past, proposals have been made to amend RCRA to rescind the exemption that excludes oil and natural gas exploration and production wastes from regulation as hazardous waste. Repeal or modification of the exemption by administrative, legislative or judicial process, or modification of similar exemptions in applicable state statutes, would increase the volume of hazardous waste we are required to manage and dispose of and would cause us to incur increased operating expenses.

There are numerous state laws and regulations in the states in which we operate which relate to the environmental aspects of our business. These state laws and regulations generally relate to requirements to remediate spills of deleterious substances associated with oil and gas activities, the conduct of salt water disposal operations, and the methods of plugging and abandonment of oil and gas wells which have been unproductive. Numerous state laws and regulations also relate to air and water quality.

We do not believe that our environmental risks will be materially different from those of comparable companies in the oil and gas industry. We believe our present activities substantially comply, in all material respects, with existing environmental laws and regulations. Nevertheless, we cannot assure you that environmental laws will not result in a curtailment of production or material increase in the cost of production, development or exploration or otherwise adversely affect our financial condition and results of operations. Although we maintain liability insurance coverage for liabilities from pollution, environmental risks generally are not fully insurable.

In addition, because we have acquired and may acquire interests in properties that have been operated in the past by others, we may be liable for environmental damage, including historical contamination, caused by such former operators. Additional liabilities could also arise from continuing violations or contamination not discovered during our assessment of the acquired properties.

MARKETING AND TRANSPORTATION. The interstate transportation and sale for resale of natural gas is regulated by the Federal Energy Regulatory Commission under the Natural Gas Act of 1938. The sale and transportation of natural gas also is subject to regulation by various state agencies. The Natural

Gas Wellhead Decontrol Act of 1989 eliminated all gas price regulation effective January 1, 1993. In addition, FERC recently has proposed several rules and orders concerning transportation and marketing of natural gas. We cannot predict the impact of these rules and other regulatory developments on GMX.

In 1992, FERC finalized Order 636, and also has promulgated regulations pertaining to the restructuring of the interstate transportation of natural gas. Pipelines serving this function have since been required to "unbundle" the various components of their service offerings, which include gathering, transportation, storage, and balancing services. In their current capacity, pipeline companies must provide their customers with only the specific service desired, on a non-discriminatory basis. Although we are not an interstate pipeline, we believe the changes brought about by Order 636 have increased competition in the marketplace, resulting in greater market volatility.

Various rules, regulations and orders, as well as statutory provisions may affect the price of natural gas production and the transportation and marketing of natural gas.

GAS GATHERING

We have acquired, constructed and own gas gathering lines and compression equipment for gathering and delivering of natural gas from our east Texas

properties. This gathering system currently consists of approximately 24 miles of gathering lines that collect gas from approximately 18 wells, which accounted for approximately 65% of our gas production from this area in the first nine months of 2000. This system enables us to improve the control over our production and enhances our ability to obtain access to pipelines for ultimate sale of our gas. We only gather gas from wells in which we own an interest. Remaining gas is gathered by unrelated third parties.

COMPETITION

We compete with major integrated oil and gas companies and independent oil and gas companies in all areas of operation. In particular, we compete for property acquisitions and for the equipment and labor required to operate and develop these properties. Most of our competitors have substantially greater financial and other resources than we have. In addition, larger competitors may be able to absorb the burden of any changes in federal, state and local laws and regulations more easily than we can, which could adversely affect our competitive position. These competitors may be able to pay more for exploratory prospects and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than we can. Further, our competitors may have technological advantages and may be able to implement new technologies more rapidly than we can. Our ability to explore for natural gas and oil prospects and to acquire additional properties in the future will depend on our ability to conduct operations, to evaluate and select suitable properties and to consummate transactions in this highly competitive environment. In addition, most of our competitors have operated for a much longer time than we have and have demonstrated the ability to operate through industry cycles.

Recent increased oil and gas drilling activity in the regions in which we own properties has resulted in increased demand for drilling rigs and other oilfield equipment and services. We may experience occasional or prolonged shortages or unavailability of drilling rigs, drill pipe and other material used in oil and gas drilling. Such unavailability could result in increased costs, delays in timing of anticipated development or cause interests in undeveloped oil and gas leases to lapse.

FACILITIES

We currently lease approximately 3,900 square feet in Oklahoma City, Oklahoma for our corporate headquarters. We believe this space is adequate for our current needs, but will need additional space if this offering is completed. We do not anticipate any difficulty in obtaining adequate space. The annual rental cost is not expected to exceed $20,000.

EMPLOYEES

As of September 30, 2000, we had 10 full-time employees of which 4 are management and the balance are clerical or technical employees. We also use five independent contractors to assist in field operations. We believe our relations with our employees are satisfactory. Our employees are not covered by a collective bargaining agreement. After completion of the offering, we expect to add employees to manage our increased resources, including additional geological, operations and accounting staff.

LEGAL PROCEEDINGS

As of January 31, 2001, we were not a party to any material legal proceedings.

MANAGEMENT

OFFICERS AND DIRECTORS

The executive officers and directors of GMX after this offering will be as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
Ken L. Kenworthy, Jr.	44	President and Director
Ken L. Kenworthy, Sr.	65	Executive Vice President, Chief Financial Officer and Director
T. J. Boismier	66	Director
Paul Malloy	47	Director
Kyle Kenworthy	39	Vice President--Land

Jon Stromberg..... 62 Vice President--Operations
</TABLE>

The board of directors of GMX will initially consist of four members, at least two of which, Messrs. Boismier and Malloy, will be independent directors. All directors hold office until the next annual meeting of shareholders and until their successors are elected. The executive officers of GMX are appointed by the board of directors and serve at its discretion. There are no employment agreements with executive officers.

The following is a brief description of the business background of each of our executive officers and directors.

KEN L. KENWORTHY, JR. is a co-founder of GMX and has been President and a director since the company's inception in 1998. In 1980, he founded OEXCO Inc., a privately held oil and gas company, which he managed until 1995 when its properties were sold for approximately $13 million. During this period OEXCO operated 300 wells and drilled and discovered seven fields and dozens of new zones. During this same period, he formed and managed a small gas gathering system. From 1995 until he founded GMX in 1998, Mr. Kenworthy was a private investor. From 1980 to 1984, he was a partner in Hunt-Kenworthy Exploration which was formed to share drilling and exploration opportunities in different geological regions. Prior to 1980, he held various geology positions with Lone Star Exploration, Cities Service Gas Co., Nova Energy, and Berry Petroleum Corporation. He also served as a director of Nichols Hills Bank, a commercial bank in Oklahoma City, Oklahoma for ten years before it was sold in 1996 to what is now Bank of America. He is a member of the American Association of Petroleum Geologists and Oklahoma City Geological Society.

KEN L. KENWORTHY, SR. is a co-founder of GMX and has been Executive Vice President, Chief Financial Officer and a director since the company's inception in 1998. From 1993 to 1998, he was principal owner and Chairman of Granita Sales Inc., a privately-held frozen beverage manufacturing distribution company. Prior to that time, he held various financial positions with private and public businesses, including from 1970 to 1984, as vice president, secretary-treasurer, chief financial officer and a director of CMI Corporation, a New York Stock Exchange listed company which manufactures and sells road-building equipment. He has held several accounting industry positions including past president of the Oklahoma City Chapter National Association of Accountants, past vice president of the National Association of Accountants and past officer and director of the Financial Executives Institute.

T. J. BOISMIER will become a director of the company at the closing of the offering. Mr. Boismier is founder, president and chief executive officer of T. J. Boismier Co., Inc., a privately held mechanical contracting company in Oklahoma City, Oklahoma which designs and installs plumbing, heating, air conditioning and utility systems in commercial buildings, a position he has held since 1961.

PAUL MALLOY will become a director at the closing of the offering. He is a financial advisor and associate vice president of Morgan Stanley Dean Witter in Oklahoma City, Oklahoma, a position he has held since 1987. He is also the general partner of The Buffalo Company, a privately held oil and gas royalty ownership company.

KYLE KENWORTHY became Vice President of Land for the company in March, 1999. From 1997 until he joined the company, he was an independent petroleum landman, performing contract land services for other oil and gas companies, and from 1992 to 1997 he was an independent real estate investor and manager. Prior to that time, he was employed by H&K Exploration and OEXCO Inc. in various geological, accounting and land management positions over a 12 year period at OEXCO, Mr. Kenworthy helped structure and managed an aggressive drilling program in Oklahoma City and surrounding areas for over 300 company operated wells.

JON STROMBERG became Vice President of Operations for the company on October 1, 2000. From 1990 until he joined the company, Mr. Stromberg was an independent consulting engineer based in Oklahoma City, Oklahoma, providing drilling, production, reservoir management and reserve engineering services to various companies including GMX. Mr. Stromberg is a registered petroleum engineer and is a member of the Society of Petroleum Engineers.

Ken Kenworthy, Sr. is the father of Ken Kenworthy, Jr. and Kyle Kenworthy.

COMMITTEES OF THE BOARD OF DIRECTORS

Our board of directors will have Audit and Compensation Committees each consisting of Messrs. Boismier and Malloy. The Audit Committee's functions will include recommending to the board of directors the engagement of GMX's independent public accountants, reviewing with such accountants the results and scope of their auditing engagement and various other matters. The Compensation Committee will establish compensation policies and levels for our chief executive officer and other senior officers.

DIRECTOR COMPENSATION

Nonemployee directors will receive $750 for each board and $500 for each committee meeting which they attend. We will also grant options to our nonemployee directors as described under "Management--Stock Option Plan."

EXECUTIVE COMPENSATION

The following table sets forth information with respect to compensation received by the chief executive officer of GMX and the other executive officers of GMX. Such individuals are hereinafter referred to as the "named executive officers".

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

		ANNUAL COMPENSATION		
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION
<S>	<C>	<C>	<C>	<C>
Ken L. Kenworthy, Jr.	1998	$45,000	$ --	$ --
President	1999	86,500	--	--
	2000	135,000		
Ken L. Kenworthy, Sr.	1998	$45,000	$ --	$ --
Executive Vice President,	1999	96,500	--	--
and Chief Financial Officer	2000	125,000		
Kyle Kenworthy	1998	$ --	$ --	$ --
Vice President--Land	1999	40,000	1,000	--
	2000	46,500	4,000	--
Jon Stronberg	2000	$32,516	--	$50,659(1)
Vice President--Operations				

</TABLE>

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(1) See "Management--Certain Transactions."

We expect to increase the base salaries of our executive officers after the offering to a level comparable to similarly sized oil and gas companies, which we expect for Messrs. Kenworthy, Jr. and Kenworthy, Sr. to range from $150,000 to $225,000 per year.

STOCK OPTION PLAN

In October 2000, the board of directors and shareholders adopted the GMX RESOURCES INC. Stock Option Plan (the "Option Plan"). Under the Option Plan, we may grant both stock options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code and options which are not qualified as incentive stock options. Options may be granted under the Plan to key employees and nonemployee directors.

The maximum number of shares of common stock issuable under the Option Plan is 550,000, subject to appropriate adjustment in the event of a reorganization, stock split, stock dividend, reclassification or other change affecting our common stock. All executive officers and other key employees who hold positions of significant responsibility are eligible to receive awards under the Option Plan. In addition, each director of the company is eligible to receive options under the Plan. The exercise price of options granted under the Plan is not less than 100% of the fair market value of the shares on the date of grant. Options granted under the Plan become exercisable as the board may determine in connection with the grant of each option. In addition, the board may at any time accelerate the date that any option granted becomes exercisable. Limitations exist on the duration, exercise price and number of shares that may be subject to or exercised in connection with incentive stock options. The exercise price of options may be paid in cash, in shares of common stock (valued at fair market value at the date of exercise), by surrender of a portion of the option, or by a combination of such means of payment, as may be determined by the board of directors.

In the event of any reorganization, merger, consolidation or sale of substantially all of the assets of GMX while options remain outstanding under

the Option Plan, the Option Plan provides for substitute options with an appropriate number of shares or other securities of the reorganized, merged, consolidated or acquiring corporation which were distributed to the shareholders of GMX. In the event of a Change in Control (as defined in the Option Plan) of GMX, all outstanding options will become immediately and fully exercisable and optionees will be entitled to surrender, within 60 days following the Change in Control, unexercised options or portions of options in return for cash payment equal to

the difference between the aggregate exercise price of the surrendered options and the fair market value of the shares of common stock underlying the surrendered options.

The board of directors may amend or terminate the Option Plan at any time, except that no amendment will become effective without the approval of the shareholders except to the extent such approval may be required by applicable law or by the rules of any securities exchange upon which the GMX shares are admitted to listed trading. The Option Plan will terminate in 2010, except with respect to awards then outstanding.

As of the date of this prospectus, no options have been granted pursuant to the Option Plan. On the closing date of this offering, we expect to grant options to nonemployee directors and named executive officers at an option price of $10.00 per share as indicated below:

<TABLE>
<CAPTION>

NAME	NUMBER OF SHARES
<S>	<C>
T. J. Boismier.....	10,000
Paul Malloy.....	10,000
Kyle Kenworthy.....	10,000
Jon Stromberg.....	10,000

</TABLE>

Such options will vest at the rate of 25% per year for each year of continued service.

The Option Plan requires that GMX file and maintain a registration statement under the Securities Act of 1933 for the shares of common stock underlying any options granted.

CERTAIN TRANSACTIONS

Ken L. Kenworthy, Sr. and Ken L. Kenworthy, Jr. are both guarantors of our bank debt. Each of their guarantees are limited to $1,000,000. We expect these guarantees to be released at the completion of the offering.

Ken L. Kenworthy, Jr. loaned an aggregate amount of $575,000 to GMX in March and May, 1999 to fund the repurchase of stock from a former shareholder and to provide working capital. These loans bear interest at a floating prime rate, averaging 9.2% for the year ended December 31, 1999 and 9.8% for the first six months of 2000. The loans mature on March 11, 2001. The loans are secured by undeveloped oil and gas leases. For the year ended December 31, 1999 and the six months ended June 30, 2000, interest accrued on these loans was $29,200 and $30,200, respectively. Interest is paid monthly and is current. At June 30, 2000, the balance of this debt was $575,000 and was reduced to $427,500 thereafter by a payment made by the company. We expect to repay this loan out of the proceeds of the offering.

In October 2000, Ken L. Kenworthy, Jr. and Ken L. Kenworthy, Sr. jointly loaned $230,000 to GMX to fund the repurchase of preferred stock held by an unrelated third party. This loan bears interest at a floating prime rate and was repaid on October 31, 2000 from borrowings under our credit facility.

In February, 2000, we issued 98,000 shares of common stock to Jon Stromberg, our current Vice President--Operations, for engineering consulting services valued at $50,659 primarily performed in 1999 and pursuant to an agreement reached with Mr. Stromberg in February 1999. In connection with such issuance, Mr. Stromberg entered into an agreement providing for certain restrictions relating to the voting and transfer of his shares which will terminate upon completion of this offering.

We believe all of the transactions described above were on terms as favorable to the Company as those that could have been obtained from unrelated parties in arms length transactions. These transactions were not approved by independent directors because we will not have independent

directors until closing of this offering. Any future affiliate transactions will be subject to review by our independent directors who will have access, at our expense, to our counsel or independent legal counsel.

INDEMNIFICATION ARRANGEMENTS

Under Section 1031 of the Oklahoma General Corporation Act ("OGCA") and our certificate of incorporation, we have broad powers to indemnify its directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act of 1933, as amended ("Securities Act").

Our certificate of incorporation provides that GMX shall indemnify, and may advance litigation expenses to its officers and directors to the fullest extent permitted by the OGCA. GMX may also indemnify, and advance litigation expenses to employees and agents of the corporation, and persons serving at the request of the corporation as directors, officers, employees or agents of another corporation, partnership, joint venture, trust or enterprise, to the fullest extent permitted by Oklahoma law. We will enter into agreements with its nonemployee directors providing for contractual rights of indemnity and expense advancement.

Our certificate of incorporation provides that, pursuant to Section 1006 of the OGCA, our directors shall not be liable for monetary damages for breach of the directors' fiduciary duty of care to the corporation and its stockholders. The provision in the certificate of incorporation does not eliminate the duty of care and, in appropriate circumstances, equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Oklahoma Law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to the corporation, as well as for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under the OGCA. The provision also does not affect a director's responsibilities under any other law, such as the state or federal securities laws.

KEY MAN LIFE INSURANCE

We are the owner and beneficiary of a life insurance policy covering accidental death of our President, Ken L. Kenworthy, Jr. in the amount of $3 million.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock as of November 30, 2000, and as adjusted to reflect the sale of 2,000,000 units in this offering, by:

- each person or group of affiliated persons known to be the beneficial owner of more than 5% of our outstanding common stock,
- each of our directors,
- each our executive officers, and
- all of our directors and executive officers as a group.

As of October 31, 2000, there were 3,000,000 shares of common stock outstanding held by 4 record holders. The company believes that, except as otherwise listed below, each named beneficial owner has sole voting and investment power with respect to the shares listed.

<TABLE>
<CAPTION>

BENEFICIAL OWNER	NUMBER OF SHARES	PERCENT OF SHARES BEFORE THIS OFFERING	PERCENT OF SHARES AFTER THIS OFFERING
<S>	<C>	<C>	<C>
Ken L. Kenworthy, Jr.(1)(2)(3).....	2,032,676	67.76%(3)	45.5%(3)
Ken L. Kenworthy, Sr.(2).....	967,324	32.2%	22.8%
Jon Stromberg(3).....	98,000(4)	3.3%	2.3%
T. J. Boismier.....	--(4)	--	--
Paul Malloy.....	--(4)	--	--

Kyle Kenworthy.....	--(4)	--	--
All executive officers and directors as a group (7 persons).....	3,000,000	100%	70.6%

</TABLE>

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(1) Shares owned by Mr. Kenworthy, Jr. include 967,338 shares owned by his wife as to which he disclaims beneficial ownership.

(2) The address of Messrs. Kenworthy, Jr. and Kenworthy, Sr. is 9400 North Broadway, Oklahoma City, Oklahoma 73114.

(3) The shares beneficially owned by Mr. Kenworthy, Jr. before the offering and his percentage ownership include the 98,000 shares also shown as beneficially owned by Mr. Stromberg. Mr. Kenworthy, Jr. has the sole right to vote such shares pursuant to an agreement with Mr. Stromberg. Mr. Stromberg has the sole right to dispose of the shares beneficially owned by him subject to the prior approval of the company. These voting and transfer restrictions will terminate on closing of this offering, resulting in 1,934,676 shares beneficially owned by Mr. Kenworthy, Jr. after the offering and the percentage ownership shown in the table.

(4) Excludes 10,000 shares underlying options to be granted to these individuals at the closing of the offering which will be exercisable over four years. See "Management--Stock Option Plan."

DESCRIPTION OF SECURITIES

GENERAL

Our authorized capital stock consists of 50,000,000 shares of common stock, $.001 par value, and 10,000,000 shares of preferred stock, $.001 par value.

COMMON STOCK

The holders of common stock are entitled to one vote for each share of common stock held on all matters voted upon by shareholders, including the election of directors at any meeting of shareholders, a quorum requires the presence in person or proxy of holders of the majority of the outstanding common stock. Subject to the rights of any then outstanding shares of preferred stock, the holders of common stock are entitled to dividends as may be declared in the discretion of the board of directors out of funds legally available for the payment of dividends. The holders of common stock are entitled to share ratably in GMX's net assets upon liquidation after we pay or provide for all liabilities and for any preferential liquidation rights of any preferred stock then outstanding. The common shareholders have no preemptive rights to purchase shares of GMX stock and no cumulative voting rights in the election of directors. Shares of common stock are not subject to any redemption provisions and are not convertible into any of our other securities. All of the shares of common stock which we are going to issue in the offering will be fully paid and nonassessable.

PREFERRED STOCK

Our board of directors has the authority, without further action by shareholders, to issue shares of preferred stock from time to time in one or more series and to fix the related number of shares and the designations, voting powers, preferences, optional and other special rights, and restrictions or qualifications of that preferred stock. The rights, preferences, privileges and restrictions or qualifications of different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions and other matters. The issuance of preferred stock could:

- decrease the amount of earnings and assets available for distribution to holders of common stock;

- adversely affect the rights and powers, including voting rights, of holders of common stock; and

- have the effect of delaying, deferring or preventing a change in control.

The board of directors has no present plans to approve the issuance of any preferred stock or designate any series of preferred stock. We will not offer preferred stock to our promotors except on the same terms it is offered to all other existing or new shareholders unless the offer to promotors is approved by a majority of our independent directors, having access, at our expense, to our counsel or independent legal counsel.

WARRANTS

GENERAL

The Class A warrants are issued pursuant to the terms of a Warrant Agreement between GMX and UMB Bank, n.a. as warrant agent. The descriptions below of certain provisions of the warrants and the warrant agreement are summary in nature and are qualified by the more detailed provisions of the Warrant Agreement and form of warrant certificates, which have been filed as exhibits to the registration statement of which this prospectus is a part. Each Class A warrant entitles the holder to purchase one share of our common stock and one Class B warrant at an exercise price of $ if exercised on or before , 2002. If exercised after , 2002, the Class A warrant entitles the

holder to purchase one share of common stock at an exercise price of $. Each Class B warrant will entitle the holder to purchase one share of common stock at an exercise price of $. Both the Class A and Class B warrants will expire on the fifth anniversary date of the closing of the offering, which will be the expiration date. The exercise prices of the warrants are subject to adjustment upon the occurrence of certain events as provided in the warrant certificates and summarized below. The Class A warrants may be exercised at any time during the period commencing the day after they become separately tradeable and ending on the expiration date. The Class B warrants may be exercised at any time after issuance and before the close of business on the expiration date. Warrants that have not previously been exercised will expire on the expiration date. A warrant holder will not be deemed to be a holder of the underlying common stock for any corporate purpose until the warrant has been properly exercised. SEC rules relating to disclosure of beneficial ownership of common stock deem holders of warrants to be beneficial owners of the outstanding common stock because the holder has the right to acquire shares within 60 days.

SEPARATE TRANSFERABILITY

Our Class A warrants and common stock will not trade separately until , 2001, or such earlier date a may be determined by us with the consent of Paulson Investment Company, Inc. The Class B warrants, if issued, will trade separately.

EXERCISE

A warrant holder may exercise our warrants only if an appropriate registration statement is then in effect with the Securities and Exchange Commission and if the shares of common stock underlying our warrants are qualified for sale under the securities laws of the state in which the holder resides. If we fail to maintain such registration statement in effect, we may elect to redeem warrants submitted for exercise by paying the difference between the market price and the exercise price of our common stock for the number of shares of common stock underlying the warrant submitted for exercise.

Our warrants may be exercised by delivering to our transfer agent the applicable warrant certificate on or prior to the expiration date or the redemption date, as applicable, with the form on the reverse side of the certificate executed as indicated, accompanied by payment of the full exercise price for the number of warrants being exercised. Fractional shares will not be issued upon exercise of our warrants.

ADJUSTMENTS OF EXERCISE PRICE

The exercise prices of the warrants are subject to adjustment if we declare any stock dividend to shareholders or effect any split or share combination with respect to our common stock. Therefore, if we effect any stock split or stock combination with respect to our common stock, the exercise prices in effect immediately prior to such stock split or combination will be proportionately reduced or increased, as the case may be. Any adjustment of the exercise price will also result in an adjustment of the number of shares purchasable upon exercise of warrants or, if we elect, an adjustment of the number of warrants outstanding. An equitable adjustment will also be made in the event of certain recapitalizations, mergers or other events affecting the common stock.

TRANSFER AGENT AND WARRANT AGENT

The transfer agent for our common stock and warrants and the warrant agent

for the warrants is UMB Bank, n.a., Kansas City, Missouri.

SHARES ELIGIBLE FOR FUTURE SALE

THE UNITS

Upon completion of the offering, we expect to have 4,250,000 shares of common stock outstanding. Of these shares, the 1,250,000 shares of common stock issued as part of the units sold in the offering will be freely tradeable without restrictions or further registration under the Securities Act of 1933, except to the extent that any such shares are purchased by our "affiliates", as that term is defined under the Securities Act. If shares are purchased by our affiliates, they may generally be resold immediately but only in compliance with the limitations of Rule 144 under the Securities Act. The 1,250,000 shares of common stock underlying the Class A warrants issued as part of the units sold in this offering, and the 1,250,000 shares of common stock underlying the Class B warrants when and if issued, will also be freely tradeable, except for shares purchased by our affiliates.

OUTSTANDING RESTRICTED STOCK

The remaining 3,000,000 outstanding shares of common stock are restricted securities within the meaning of Rule 144 and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemption from registration offered by Rule 144. Holders of all of the 3,000,000 outstanding restricted shares of common stock have agreed with the managing underwriter not to sell or otherwise dispose of any of their shares of common stock for a period of one year after completion of the offering, without the prior written consent of Paulson Investment Company, Inc., subject to certain limited exceptions. After the expiration of this lock-up period, or earlier with the prior written consent of Paulson Investment Company, Inc., (but not before the expiration of 90 days from the date of this prospectus) all 3,000,000 of these outstanding restricted shares may be sold in the public market, subject to certain volume and manner of sale limitations imposed by Rule 144.

In order to obtain registration of the units in certain states, the holders of shares have also entered into lock up agreements with the company which prohibit any sale of "promotional shares" owned by them for a period of one year from the date of this prospectus and prohibit sales of no more than 25% per quarter of the promotional shares during the second year, when these agreements expire. These agreements may be terminated early if the company's common stock is listed on the NASDAQ National Market system or on a national securities exchange. Of the 3,000,000 shares held by the existing shareholders, approximately 2,900,000 are considered promotional shares.

UNDERWRITERS' WARRANTS

In connection with the offering, we have agreed to issue to certain underwriters warrants to purchase up to 125,000 units. The underwriters' warrants will be exercisable to purchase units at any time during the four-year period commencing one year after the date of this prospectus. The exercise price of the underwriters' warrants is $ per unit. In lieu of paying the exercise price in cash, a holder of underwriters' warrants may elect a "cashless exercise" in which, in lieu of the cash exercise price otherwise payable, the number of units obtainable on such exercise will be reduced by the number of units that have market value equal to the exercise price. We have agreed to cause a registration statement to be effective with respect to the units obtainable on exercise of the underwriters' warrants until all of the underwriters' warrants have been exercised or have expired. If issued and sold pursuant to such registration, and under certain other circumstances, the common stock and warrants issued to the underwriters upon exercise of these warrants will be freely tradable.

UNDERWRITING

The underwriters named below have severally agreed, subject to the terms and conditions contained in an underwriting agreement with us, to purchase 1,250,000 units from us at the price set forth on the cover page of this prospectus, in accordance with the following table:

<TABLE>
<CAPTION>

UNDERWRITER	NUMBER OF UNITS
<S>	<C>
Paulson Investment Company, Inc.....	
I-Bankers Securities Incorporated.....	
Total.....	1,250,000

</TABLE>

NATURE OF UNDERWRITING COMMITMENT. The underwriting agreement provides that the underwriters are committed to purchase all the units offered by this prospectus if any units are purchased. This commitment does not apply to 187,500 units subject to the over-allotment option granted by us to the underwriters to purchase additional shares in this offering.

CONDUCT OF THE OFFERING. We have been advised by Paulson Investment Company, Inc., that the underwriters propose to offer the units to be sold in this offering directly to the public at the initial public offering price set forth on the cover page of this prospectus, and to certain securities dealers at that price less a concession of not more than $ per unit. The underwriters may allow, and those dealers may reallow, a concession not in excess of $ per unit to certain other dealers. After the units are released for sale to the public, the offering price and other selling terms may be changed from time to time by the underwriters. No change in those terms will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus.

The underwriters have informed us that they do not expect to confirm sales of units offered by this prospectus to accounts over which they exercise discretionary authority without obtaining the specific approval of the account holder.

OVER-ALLOTMENT OPTION. We have granted the underwriters an option, expiring 45 days after the date of this prospectus, to purchase up to 187,500 additional units from us on the same terms as set forth in this prospectus with respect to the 1,250,000 units offered hereby. The underwriters may exercise this option, in whole or in part, only to cover over-allotments, if any, in the sale of the units offered by this prospectus.

PRICING CONSIDERATIONS. Prior to this offering, there has been no market for our securities. Consequently, the initial public offering price of the units will be determined by arms' length negotiation between us and the underwriters. Among the factors to be considered in pricing the units are our results of operations, current financial condition and future prospects, the experience of management, the amounts of ownership to be retained by the current stockholders, the general condition of the economy, the condition of the oil and gas industry, including current and forecasted oil and gas prices, and the securities markets, the demand for similar securities of companies considered comparable to us and other factors that we and the underwriters deem relevant.

OFFERING DISCOUNTS. The following table shows the per unit and total underwriting discounts to be paid by us to the underwriters. These amounts are shown assuming no exercise and full exercise, respectively, of the underwriters' over-allotment option described above:

<TABLE>
<CAPTION>

	PER UNIT	TOTAL WITHOUT OVER-ALLOTMENT OPTION	TOTAL WITH OVER-ALLOTMENT OPTION
<S>	<C>	<C>	<C>
Total underwriting discount to be paid by us.....	$	$	$

</TABLE>

EXPENSE ALLOWANCE. We have agreed to pay to Paulson Investment Company, Inc., a non-accountable expense allowance equal to two percent of the initial public offering price of the units sold by us in this offering (including units sold on exercise of the underwriters' over-allotment option).

UNDERWRITERS' WARRANTS. On completion of this offering, we will issue to

certain underwriters warrants to purchase from us up to 125,000 units, for $ per unit. The warrants are exercisable during the four-year period beginning one year from the date of this prospectus. The warrants are not transferable for one year following the date of this prospectus, except to an individual who is an officer or partner of an underwriter, by will or by the laws of descent and distribution, and are not redeemable.

The holder of these warrants will have, in that capacity, no voting, dividend or other shareholder rights. Any profit realized on the sale of the units issuable upon exercise of the these warrants may be deemed to be additional underwriting compensation. The securities underlying these warrants are being registered pursuant to the registration statement of which this prospectus is a part. During the term of the warrants, the holder thereof is given the opportunity to profit from a rise in the market price of our common stock. We may find it more difficult to raise additional equity capital while these warrants are outstanding. At any time at which these warrants are likely to be exercised, we may be unable to obtain additional equity capital on more favorable terms.

INDEMNIFICATION. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect thereof.

LOCK-UP AGREEMENTS. Our shareholders have agreed not to sell or transfer any shares of our common stock for one year after the date of this prospectus without first obtaining the written consent of Paulson Investment Company, Inc. Specifically, our shareholders have agreed not to, directly or indirectly:

- sell or offer to sell any shares of our common stock;

- grant any option to sell any shares of our common stock;

- engage in any short sale of our common stock;

- pledge or otherwise transfer or dispose of any shares of our common stock; or

- publicly announce an intention to do any of the foregoing.

These lock-up agreements apply to shares of our common stock and also to any options or warrants to acquire shares of our common stock, or securities exchangeable or exercisable for or convertible into shares of our common stock. These lock-up agreements apply to all such securities that are currently owned or later acquired either of record or beneficially by the persons executing the agreements. However, Paulson Investment Company, Inc. may, in its sole discretion and without notice, release some or all of the securities subject to these agreements at any time during the one year period. Currently, there are no agreements by Paulson Investment Company, Inc. to release any of the securities from the lock-up agreements during such one year period.

Our shareholders have agreed that, for a period of one year from the date of this prospectus, they will notify Paulson Investment Company, Inc. before they sell our common stock under Rule 144.

ONLINE ACTIVITIES. A prospectus in electronic format is available online at www.paulsoninvestment .com/gmx.html and may be made available on the Internet sites or through other online services maintained by one or more of the other underwriters of this offering, members of the selling group or by persons with whom they may contract for such services. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations.

STABILIZATION AND OTHER TRANSACTIONS. The rules of the SEC generally prohibit the underwriters from trading in our securities on the open market during this offering. However, the underwriters are allowed to engage in some open market transactions and other activities during this offering that may cause the market price of our securities to be above or below that which would otherwise prevail in the open market. These activities may include stabilization, short sales and over-allotments, syndicate covering transactions and penalty bids.

- Stabilizing transactions consist of bids or purchases made by the managing underwriter for the purpose of preventing or slowing a decline in the market price of our securities while this offering is in progress.

- Short sales and over-allotments occur when the managing underwriter, on

behalf of the underwriting syndicate, sells more of our units than they purchase from us in this offering. In order to cover the resulting short position, the managing underwriter may exercise the over-allotment option described above and/or may engage in syndicate covering transactions. There is no contractual limit on the size of any syndicate covering transaction. The underwriters will deliver a prospectus in connection with any such short sales. Purchasers of units sold short by the underwriters are entitled to the same remedies under the federal securities laws as any other purchaser of units covered by the registration statement.

- Syndicate covering transactions are bids for or purchases of our securities on the open market by the managing underwriter on behalf of the underwriters in order to reduce a short position incurred by the managing underwriter on behalf of the underwriters.

- A penalty bid is an arrangement permitting the managing underwriter to reclaim the selling concession that would otherwise accrue to an underwriter if the common stock originally sold by the underwriter was later repurchased by the managing underwriter and therefore was not effectively sold to the public by such underwriter.

If the underwriters commence these activities, they may discontinue them at any time without notice. The underwriters may carry out these transactions on the NASDAQ National Market, in the over-the-counter market or otherwise.

EXPENSES. The following table sets forth an itemization of all expenses we will pay in connection with the issuance and distribution of the securities being registered. Except for the SEC registration

fee, the NASD filing fee and NASDAQ SmallCap Market listing fee, the amounts listed below are estimates:

<TABLE>
<CAPTION>

NATURE OF EXPENSE	AMOUNT
<S>	<C>
SEC registration fee	$ 16,605
Underwriters' nonaccountable expense allowance	200,000
NASD filing fees	10,000
NASDAQ listing fee	15,000
Accounting fees and expenses	50,000
Legal fees and expenses	100,000
Engineering fees and expenses	50,000
Printing and related expenses	125,000
Transfer agent fees and expenses	10,000
Blue sky fees and expenses	35,000
Travel	60,000
Miscellaneous expenses	78,395
Total	$750,000

</TABLE>

LEGAL MATTERS

Crowe & Dunlevy, A Professional Corporation, Oklahoma City, Oklahoma, as our counsel, will issue an opinion for us regarding the validity of the securities offered by this prospectus. Certain legal matters related to this offering will be passed upon for the underwriters by Stoel Rives LLP, Portland, Oregon.

EXPERTS

Our financial statements as of December 31, 1999 and for the year then ended have been included in this prospectus and in the related registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, appearing elsewhere in this prospectus and upon the authority of said firm as experts in accounting and auditing. The report of KPMG LLP refers to the restatement of the 1999 financial statements.

Our financial statements as of and for the year ended December 31, 1998 have been included in this prospectus and in the related registration statement in reliance upon the report of Wright & McAfee, independent certified public accountants, appearing elsewhere in this prospectus and upon the authority of said firm as experts in accounting and auditing.

On October 10, 2000, we terminated Wright & McAfee and elected to engage KPMG LLP to audit our financial statements as of December 31, 1999 and for the year then ended due to KPMG's more extensive experience with publicly-held companies. Wright & McAfee's report on our financial statements for the year ended December 31, 1998 did not contain an adverse opinion or disclaimer of opinion and was not modified as to uncertainty, audit scope or accounting principles. There were no disagreements with Wright & McAfee on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure for the year ended December 31, 1998 and through October 10, 2000. The decision to change accountants was approved by the board of directors.

The information appearing in this prospectus with respect to our proved oil and gas reserves as of September 30, 2000 was estimated by Sproule Associates, Inc., independent petroleum engineers, and is included in this prospectus on the authority of such firm as experts in petroleum engineering.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form SB-2, including all amendments and exhibits, under the Securities Act of 1933 with respect to the securities offered in this offering. After this offering, we expect to file reports and proxy or information statements as required by the Securities Exchange Act of 1934. As permitted by the rules and regulations of the SEC, this prospectus omits some of the information contained in the registration statement. For further information with respect to GMX and the securities offered in this offering, you should refer to the registration statement and its exhibits and schedules. You may obtain copies of all or any portion of the registration statement and future documents that we file at prescribed rates from the public reference facilities maintained by the SEC at:

- Room 1024, Judiciary Plaza
  450 Fifth Street, N.W.,
  Washington, D.C. 20549

- 7 World Trade Center
  New York, New York 10007

- CitiCorp Center
  500 W. Madison Street, Suite 1400
  Chicago, IL 60661

You may also call the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website that contains reports, proxy statements and information statements and other information regarding registrants, including GMX, that file electronically with the SEC, which can be accessed at http://www.sec.gov.

We intend to furnish our shareholders with annual reports containing financial statements audited by our independent public accountants.

CERTAIN TECHNICAL TERMS

The terms whose meaning is explained in this section are used throughout this prospectus:

BBL. One stock tank barrel, or 42 U.S. gallons liquid volume, used herein in reference to oil or other liquid hydrocarbons.

BCF. Billion cubic feet.

BCFE. Billion cubic feet of natural gas equivalent, determined using the ratio of one Bbl of oil or condensate to six Mcf of natural gas.

BTU. British thermal unit, which is the heat required to raise the temperature of a one pound mass of water from 58.5 to 59.5 degrees Fahrenheit.

BBTU. Billion Btus.

DEVELOPED ACREAGE. The number of acres which are allocated or assignable to producing wells or wells capable of production.

DEVELOPMENT LOCATION. A location on which a development well can be drilled.

DEVELOPMENT WELL. A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive in an attempt to recover proved undeveloped reserves.

DRILLING UNIT. An area specified by governmental regulations or orders or by voluntary agreement for the drilling of a well to a specified formation or formations which may combine several smaller tracts or subdivides a large tract, and within which there is usually some right to share in production or expense by agreement or by operation of law.

DRY HOLE. A well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

EBITDA. EBITDA is defined as income (loss) before interest, income taxes, depreciation, depletion and amortization. We believe that EBITDA is a financial measure commonly used in the oil and gas industry, and we use it, and expect our investors to use it, as an indicator of a company's ability to service and incur debt and fund capital expenditures. One of our debt covenants uses a measure similar to EBITDA. However, EBITDA should not be considered in isolation or as a substitute for net income, cash flows provided by operating activities or other data prepared in accordance with generally accepted accounting principles, or as a measure of a company's profitability or liquidity. EBITDA measures as presented may not be comparable to other similarly titled measures of other companies.

ESTIMATED FUTURE NET REVENUES. Estimated future gross revenue to be generated from the production of proved reserves, net of estimated production, future development costs, and future abandonment costs, using prices and costs in effect as of the date of the report or estimate, without giving effect to non-property related expenses such as general and administrative expenses, debt service and future income tax expense or to deprecation, depletion and amortization,

EXPLORATORY WELL. A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir.

GROSS ACRE. An acre in which a working interest is owned.

GROSS WELL. A well in which a working interest is owned.

INFILL DRILLING. Drilling for the development and production of proved undeveloped reserves that lie within an area bounded by producing wells.

INJECTION WELL. A well which is used to place liquids or gases into the producing zone during secondary/tertiary recovery operations to assist in maintaining reservoir pressure and enhancing recoveries from the field or productive horizons.

LEASE OPERATING EXPENSE. All direct costs associated with and necessary to operate a producing property.

MBBLS. Thousand barrels.

MBTU. Thousand Btus.

MCF. Thousand cubic feet.

MCFE. Thousand cubic feet of natural gas equivalent, determined using the ratio of one Bbl of oil or condensate to six Mcf of natural gas.

MMBBLS. Million barrels.

MMBTU. Million Btus.

MMCF. Million cubic feet.

MMCFE. Million cubic feet of natural gas equivalent, determined using the ratio of one Bbl of oil or condensate to six Mcf of natural gas.

NATURAL GAS LIQUIDS. Liquid hydrocarbons which have been extracted from natural gas (e.g., ethane, propane, butane and natural gasoline).

NET ACRES OR NET WELLS. The sum of the fractional working interests owned in gross acres or gross wells.

NYMEX. New York Merchantile Exchange.

OPERATOR. The individual or company responsible for the exploration, exploitation and production of an oil or natural gas well or lease, usually pursuant to the terms of a joint operating agreement among the various parties owning the working interest in the well.

PRESENT VALUE. When used with respect to oil and gas reserves, present value means the Estimated Future Net Revenues discounted using an annual discount rate of 10%.

PRODUCTIVE WELL. A well that is producing oil or gas or that is capable of

production.

PROVED DEVELOPED RESERVES. Proved reserves are expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery are included as proved developed reserves only after testing by pilot project or after the operation of an installed program as confirmed through production response that increased recovery will be achieved.

PROVED RESERVES. The estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions; i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not escalations based upon future conditions.

PROVED UNDEVELOPED RESERVES. Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances do estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery techniques is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

RECOMPLETION. The completion for production of an existing wellbore in another formation from that in which the well has previously been completed.

RESERVE LIFE. A measure of how long it will take to produce a quantity of reserves, calculated by dividing estimated proved developed producing reserves by production for the twelve-month period prior to the date of determination (in gas equivalents).

ROYALTY. An interest in an oil and natural gas lease that gives the owner of the interest the right to receive a portion of the production from the leased acreage (or of the proceeds of the sale), but generally does not require the owners to pay any portion of the costs of drilling or operating wells on the leased acreage. Royalties may be either landowner's royalties, which are reserved by the owner of a leased acreage at the time the lease is granted, or overriding royalties, which are usually reserved by an owner of the leasehold in connection with the transfer to a subsequent owner.

SECONDARY RECOVERY. An artificial method or process used to restore or increase production from a reservoir after the primary production by the natural producing mechanism and reservoir pressure has experienced partial depletion. Gas injection and water flooding are examples of this technique.

UNDEVELOPED ACREAGE. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether such acreage contains proved reserves.

WATERFLOOD. A secondary recovery operation in which water is injected into the producing formation in order to maintain reservoir pressure and force oil toward and into the producing wells.

WORKING INTEREST. An interest in an oil and natural gas lease that gives the owner of the interest the right to drill for and produce oil and natural gas on the leased acreage and requires the owner to pay a share of the costs of drilling and production operations.

WORKOVER. To carry out remedial operations on a productive well with the intention of restoring or increasing production.

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<TABLE>
<S> <C>

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
GMX Resources Inc.

We have audited the accompanying consolidated balance sheet of GMX Resources Inc. as of December 31, 1999 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GMX Resources Inc. as of December 31, 1999 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note M, GMX Resources Inc. has restated its previously reported 1999 financial statements.

KPMG LLP

Oklahoma City, Oklahoma
October 31, 2000, except as to
Note M, which is as of
February 1, 2001

INDEPENDENT AUDITORS' REPORT

Officers, Directors and Shareholders
GMX RESOURCES INC.
Oklahoma City, Oklahoma

We have audited the statements of operations, shareholders' equity, and cash flows for the period from inception (January 23, 1998) to December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly,

in all material respects, the results of its operations and its cash flows for the year ended December 31, 1998 in conformity with generally accepted accounting principles.

WRIGHT, MCAFEE & CO., C.P.A.'S
A PROFESSIONAL CORPORATION

Oklahoma City, Oklahoma
March 31, 1999

GMX RESOURCES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	DECEMBER 31, 1999 (RESTATED) <C>	SEPTEMBER 30, 2000 (UNAUDITED) <C>
ASSETS		
CURRENT ASSETS		
Cash	$ 535,213	$ 253,941
Accounts receivable--interest owners	115,121	121,489
Accounts receivable--oil and gas revenues	622,420	864,009
Inventories	84,460	88,989
Prepaid expenses	16,819	32,076
Total Current Assets	1,374,033	1,360,504
OIL AND GAS PROPERTIES, at cost, based on the full cost method of accounting for oil and gas properties	7,897,087	9,425,880
Less accumulated depreciation, depletion and amortization	(756,297)	(1,009,419)
	7,140,790	8,416,461
OTHER PROPERTY AND EQUIPMENT	489,026	585,480
Less accumulated depreciation	(91,261)	(140,115)
	397,765	445,365
OTHER ASSETS	60,575	50,425
TOTAL ASSETS	$8,973,162	$10,272,755
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable to Shareholder	$ 200,000	$ 427,500
Accounts payable	511,011	515,668
Accrued expenses	39,055	63,428
Accrued interest	54,144	52,860
Revenue distributions payable	524,611	581,839
Drilling advances	220,785	73,525
Current portion of long-term debt	71,480	695,729
Total Current Liabilities	1,621,086	2,410,549
LONG-TERM DEBT, less current portion	6,110,333	5,807,000
OTHER LIABILITIES	124,261	167,486
Deferred income taxes	--	75,000
SHAREHOLDERS' EQUITY		
Preferred stock, par value $.01 per share, 500,000 shares authorized:		
Series A, 150,000 shares issued, and 100,000 shares outstanding	1,500	1,500
Series B, 22,000 shares issued and outstanding	220	220
Common stock, par value $.001 per share--authorized 50,000,000 shares; issued 2,176,500 shares in 1999 and 2,274,500 in 2000; outstanding 1,451,000 shares in 1999 and 1,549,001 in 2000	2,177	2,275
Additional paid-in capital	2,042,712	2,046,614
Retained earnings (accumulated deficit)	(502,248)	188,989
Treasury Stock:		
Common--725,500 shares at cost	(213,439)	(213,439)

Preferred Series A--50,000 shares at cost	(213,439)	(213,439)
Total Shareholders' Equity	1,117,483	1,812,720
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$8,973,162	$10,272,755

</TABLE>

See notes to consolidated financial statements.

GMX RESOURCES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1999	2000
		(RESTATED)	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
REVENUE				
Oil and gas sales	$1,794,513	$2,122,770	$1,530,072	$2,879,968
Interest income	21,928	15,108	6,986	15,074
Other income	11,476	23,807	4,372	25,719
	1,827,917	2,161,685	1,541,430	2,920,761
EXPENSES				
Lease operations	895,899	917,590	664,025	725,637
Production and severance taxes	150,052	157,193	128,801	295,469
Depreciation, depletion, and amortization	433,374	436,474	317,706	313,348
Interest	419,897	486,234	385,209	431,925
General and administrative	226,313	368,824	225,240	388,145
	2,125,535	2,353,315	1,720,981	2,154,524
Income (Loss)Before Income Taxes	(297,618)	(204,630)	(179,551)	766,237
INCOME TAXES	--	--	--	75,000
Net Income (Loss)	$ (297,618)	$ (204,630)	$ (179,551)	$ 691,237
Net Income (Loss) Applicable to Common Shares	$ (478,368)	$ (373,193)	$ (306,989)	$ 567,862
EARNINGS (LOSS) PER SHARE--BASIC	$ (0.22)	$ (0.23)	$ (0.18)	$ 0.37
EARNINGS (LOSS) PER SHARE--DILUTED	$ (0.22)	$ (0.23)	$ (0.18)	$ 0.19
WEIGHTED AVERAGE COMMON SHARES--BASIC	2,176,500	1,632,375	1,692,883	1,549,000
WEIGHTED AVERAGE COMMON SHARES--DILUTED	2,176,500	1,632,375	1,692,883	3,593,590

</TABLE>

See notes to consolidated financial statements.

GMX RESOURCES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1999	2000
		(RESTATED)	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
CASH FLOWS DUE TO OPERATING ACTIVITIES				
Net income (loss)	$ (297,618)	$(204,630)	$(179,551)	$ 691,237
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation, depletion, and amortization	433,374	436,474	317,706	313,348

Deferred income taxes	--	--	--	75,000
(Gain) loss on sale of other property and equipment	--	(4,513)	2,775	(22,094)
Stock to be issued for consulting services	--	46,609	28,169	4,000
Decrease (increase) in:				
Accounts receivable	(496,292)	(244,412)	10,024	(247,957)
Inventory and prepaid expenses	(61,364)	(39,915)	(39,185)	(19,786)
Deposits	(4,806)	--	--	--
Increase (decrease) in:				
Accounts payable	324,853	186,159	(41,804)	4,657
Accrued expenses	65,170	28,029	48,146	23,089
Revenue distributions payable	233,914	414,958	128,236	100,453
Net Cash Provided By Operating Activities	197,231	618,759	274,516	921,947
CASH FLOWS DUE TO INVESTING ACTIVITIES				
Purchase of oil and gas properties	(6,254,945)	(781,907)	(388,088)	(1,688,153)
Purchase of property and equipment	(460,355)	(56,171)	(41,233)	(96,454)
Other Assets	(14,489)	9,339	9,339	--
Proceeds from sale of oil and gas properties	--	124,518	--	12,100
Proceeds from sale of other property and equipment	--	28,500	1,700	22,094
Net Cash Used In Investing Activities	(6,729,789)	(675,721)	(418,282)	(1,750,413)
CASH FLOWS DUE TO FINANCING ACTIVITIES				
Proceeds from borrowings	5,681,464	725,000	725,000	700,000
Payments of debt issue costs	(35,000)	(34,396)	(31,269)	(1,222)
Payments on debt	(4,116)	(20,535)	(4,175)	(151,584)
Issuance of Stock	1,000,000	--	--	--
Purchase of Treasury Stock	--	(408,469)	(408,449)	--
Drilling advances	--	220,785	--	--
Net Cash Provided By Financing Activities	6,642,348	482,385	281,107	547,194
Net Increase (Decrease) In Cash	109,790	425,423	137,341	(281,272)
CASH AT BEGINNING OF PERIOD	--	109,790	109,790	535,213
CASH AT END OF PERIOD	$ 109,790	$ 535,213	$ 247,131	$ 253,941
NON-CASH INVESTING ACTIVITIES				
Acquisition of producing oil and gas properties by issuance of Preferred Stock, Series B	$ 1,000,000	$ --	$ --	$ --
Exchange of property and equipment for treasury stock	--	(18,409)	(18,409)	--
CASH PAID FOR INTEREST	$ 381,120	$ 470,867	$ 387,255	$ 433,209

</TABLE>

See notes to consolidated financial statements.

GMX RESOURCES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	COMMON STOCK		PREFERRED STOCK A		PREFERRED STOCK B		ADDITIONAL PAID-IN	RETAINED EARNINGS (ACCUMULATED)	TREASURY
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT)	STOCK
								(RESTATED)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INITIAL CAPITALIZATION	2,176,500	$2,177	150,000	$1,500	--	$ --	$ 996,323	$ --	--
Issuance of Series B preferred stock	--	--	--	--	22,000	220	999,780	--	--
Net loss	--	--	--	--	--	--	--	(297,618)	--
BALANCE AT									

DECEMBER 31,1998.....	2,176,500	2,177	150,000	1,500	22,000	220	1,996,103	(297,618)	--
Services rendered in exchange for stock (Stock issued in 2000).....	--	--	--	--	--	--	46,609	--	--
Purchase of treasury stock.....	--	--	--	--	--	--	--	--	(426,878)
Net loss.....	--	--	--	--	--	--	--	(204,630)	--
BALANCE AT DECEMBER 31, 1999.....	2,176,500	$2,177	150,000	$1,500	22,000	$220	$2,042,712	$(502,248)	(426,878)
Services rendered in exchange for stock.....	98,000	98	--	--	--	--	3,902	--	--
Net income.....	--	--	--	--	--	--	--	691,237	--
BALANCE AT SEPTEMBER 30, 2000.....	2,274,500	$2,275	150,000	$1,500	22,000	$220	$2,046,614	188,989	(426,878)

<CAPTION>

	TOTAL SHAREHOLDERS' EQUITY
	(RESTATED)
<S>	<C>
INITIAL CAPITALIZATION.....	1,000,000
Issuance of Series B preferred stock.....	1,000,000
Net loss.....	(297,618)
BALANCE AT DECEMBER 31,1998.....	1,702,382
Services rendered in exchange for stock (Stock issued in 2000).....	46,609
Purchase of treasury stock.....	(426,878)
Net loss.....	(204,630)
BALANCE AT DECEMBER 31, 1999.....	1,117,483
Services rendered in exchange for stock.....	4,000
Net income.....	691,237
BALANCE AT SEPTEMBER 30, 2000.....	1,812,720

</TABLE>

See notes to consolidated financial statements.

GMX RESOURCES INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1999 AND 1998

(INFORMATION AS IT RELATES TO SEPTEMBER 30, 2000 AND THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000 IS UNAUDITED)

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of GMX Resources Inc. (the "Company") and its wholly-owned subsidiaries, Endeavor Pipeline, Inc. and Expedition Natural Resources, Inc. Endeavor Pipeline, Inc. owns and operates natural gas gathering facilities in east Texas. Expedition Natural Resources, Inc. owns undeveloped leases, primarily in east Texas. All significant intercompany accounts and transactions have been eliminated.

In the opinion of management, the accompanying unaudited financial statements as of September 30, 2000 and for the nine months ended September 30, 1999 and 2000, reflect all adjustments (which were normal and recurring) which,

in the opinion of management, are necessary for a fair statement of the financial position and results of operations of the interim periods presented.

ORGANIZATION: The Company was formed in January 1998. In February 1998, the Company purchased for $6.0 million oil and gas properties and commenced operations. The Company is primarily engaged in acquisition, exploration, and development of properties for the production of crude oil and natural gas in Oklahoma, Kansas, Louisiana, New Mexico, and Texas.

INVENTORIES: Inventories consist of lease and well equipment and crude oil on hand. The Company plans to utilize the lease and well equipment in its ongoing operations and is carried at the lower of cost or market. Treated and stored crude oil inventory on hand at the end of the year is valued at current field prices less severance taxes.

PROPERTY AND EQUIPMENT: The Company follows the full cost method of accounting for its oil and gas properties. Accordingly, all costs incidental to the acquisition, exploration and development of oil and gas properties, including costs of undeveloped leasehold, dry holes and leasehold equipment, are capitalized. Net capitalized costs are limited to the estimated future net revenues, discounted at 10% per annum, from proved oil, natural gas, and natural gas liquid reserves. Such limitations are imposed separately on a country-by-country basis. Capitalized costs are depleted by an equivalent unit-of-production method, converting oil to gas at the ratio of one barrel of oil to six thousand cubic feet of natural gas. No gain or loss is recognized upon disposal of oil and gas properties unless such disposal significantly alters the relationship between capitalized costs and proved reserves.

Depreciation and amortization of other property and equipment, including leasehold improvements, are provided using the straight-line method based on estimated useful lives from five to ten years.

REVENUE RECOGNITION AND GAS BALANCING: Oil and gas revenues are recognized when produced. During the course of normal operations, the Company and other joint interest owners of natural gas reservoirs will take more or less than their respective ownership share of the natural gas volumes produced. These volumetric imbalances are monitored over the lives of the wells' production capability. If an imbalance exists at the time the wells' reserves are depleted, cash settlements are made among the joint interest owners under a variety of arrangements.

The Company follows the sales method of accounting for gas imbalances. A liability is recorded when the Company's excess takes of natural gas volumes exceed its estimated remaining recoverable

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
reserves. No receivables are recorded for those wells where the Company has taken less than its ownership share of gas production.

CAPITALIZED INTEREST: Interest of $36,271 and $57,529 was capitalized related to the unproved properties that were not being currently depreciated, depleted, or amortized and on which exploration activities were in progress in 2000 and 1999, respectively.

INCOME TAXES: The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized at the enacted tax rates for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and the respective tax bases and tax operating losses and tax credit carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

HEDGING ACTIVITIES: The Company has periodically entered into oil and gas price swaps to manage its exposure to oil and gas price volatility. The hedging instruments are usually placed with counterparties that the Company believes are minimal credit risks. The oil and gas reference prices upon which the price hedging instruments are based reflect various market indices that have a high degree of historical correlation with actual prices received by the Company.

The Company accounts for its hedging instruments using the deferral method of accounting. Under this method, realized gains and losses from the Company's

price risk management activities are recognized in oil and gas revenues when the associated production occurs and the resulting cash flows are reported as cash flows from operating activities. Gains and losses on hedging contracts that are closed before the hedged production occurs are deferred until the production month originally hedged. In the event of a loss of correlation between changes in oil and gas reference prices under a hedging instrument and actual oil and gas prices, a gain or loss is recognized currently to the extent the hedging instrument has not offset changes in actual oil and gas prices.

LOAN FEES: Included in Other Assets are costs associated with long-term debt. These costs are being amortized over the life of the loan using a method that approximates the interest method.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses are reported net of amounts allocated to working interest owners of the oil and gas properties operated by the Company and net of amounts capitalized pursuant to the full cost method of accounting.

USE OF ESTIMATES: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported. The actual results could differ from those estimates, including useful lives of property and equipment and oil and gas reserve quantities.

FINANCIAL INSTRUMENTS: The Company's financial instruments consist of cash, accounts receivable, accounts payable, accrued expenses, accrued interest, revenue distributions payable, and oil price swap agreements. Fair value of non-derivative financial instruments approximates carrying value due to the

short-term nature of these instruments. See note I for the fair value of the oil and price swap agreements.

NET EARNINGS PER COMMON SHARE: Basic earnings per share is computed by dividing income available to common Shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if the Company's convertible preferred stock were converted to common stock, net of preferred dividends associated with the dilutive convertible preferred stock. The diluted loss per share calculations for 1998 and 1999 produce results that are anti-dilutive. Therefore, the diluted loss per share amounts for 1998 and 1999 reported in the accompanying Consolidated Statements of Operations are the same as the basic loss per share amounts. The weighted average dilutive shares not included in the 1998 and 1999 annual periods and the nine-month 1999 period were 2,770,090, 2,225,965, and 2,286,423, respectively. The weighted average dilutive shares included in the 2000 period was 2,044,590.

STOCK OPTIONS: The Company applies the intrinsic value-based method of accounting for its fixed plan stock options. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price of the option.

COMMITMENTS AND CONTINGENCIES: Liabilities for loss contingencies arising from claims, assessments, litigation, or other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Environmental expenditures are expensed or capitalized in accordance with accounting principles generally accepted in the United States of America. Liabilities for these expenditures are recorded when it is probable that obligations have been incurred and the amounts can be reasonably estimated.

Property and equipment included the following:

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
	(RESTATED)	(UNAUDITED)
Oil and gas properties:		
Subject to amortization	$7,176,877	$ 8,737,476
Not subject to amortization:		
Acquired in 2000	--	231,524
Acquired in 1999	199,860	188,379
Acquired in 1998	520,350	268,501
Accumulated depreciation, depletion, and amortization	(756,297)	(1,009,419)
Net oil and gas properties	7,140,790	8,416,461
Other property and equipment	489,026	585,480
Less accumulated depreciation	(91,261)	(140,115)
Net other property and equipment	397,765	445,365
Property and equipment, net of accumulated depreciation, depletion, and amortization	$7,538,555	$ 8,861,826

Depreciation, depletion, and amortization of property and equipment consisted of the following components:

	FOR THE YEAR ENDED DECEMBER 31,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1999	2000
		(RESTATED)	(UNAUDITED)	
Depreciation, depletion, and amortization of oil and gas properties	$384,098	$372,199	$272,745	$253,122
Depreciation of other property and equipment	42,464	52,310	36,624	48,947
Amortization of other assets	6,812	11,965	8,337	11,279
Total	$433,374	$436,474	$317,706	$313,348

NOTE C--LONG-TERM DEBT

A summary of long-term debt is as follows:

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
		(UNAUDITED)
Note payable to bank, maturity date of January 31, 2001, bearing a variable interest rate, (9.5% and 10.0%, as of December 31, 1999 and September 30, 2000, respectively), collateralized by producing oil and gas properties	$5,800,000	$6,500,000
Notes payable to Shareholder, bearing variable interest rates, (9.5% and 10.0%, as of December 31, 1999 and September 30, 2000, respectively), collateralized by unproved properties	575,000	427,500

Other	6,813	2,729
	6,381,813	6,930,229
Current portion--unrelated parties	(71,480)	(695,729)
Current portion--related party	(200,000)	(427,500)
	$6,110,333	$5,807,000

</TABLE>

CREDIT FACILITY

On February 18, 1998, the Company entered into a secured credit facility that provides for a line of credit up to $20 million (the "Commitment"), subject to a borrowing base which is based on a periodic evaluation of oil and gas reserves ("Borrowing Base"). The amount of credit available at any one time under the credit facility is the lesser of the Borrowing Base or the amount of the Commitment. As of December 31, 1999 and September 30, 2000, the borrowing base was $6.5 million. The credit facility has a maturity date of January 31, 2002. The Company has the option of either borrowing at the LIBOR rate or the base rate which approximates the prime rate, in either case plus a margin ranging from .50% to 3.25% depending upon the amount of advances outstanding in relation to the Borrowing Base. The credit facility requires payment of an annual facility fee equal to 0.375% to 0.5% basis points of the amount of the Commitment. The Company is obligated to make monthly principal payments in amounts determined by the lender after taking into consideration the expected reductions in the Borrowing Base as a result of production. The current monthly principal reduction amount is $77,000 beginning January 1, 2001. Borrowings under the credit agreement are secured by substantially all of the Company's oil and gas properties.

The credit facility contains various affirmative and restrictive covenants. These covenants, among other things, prohibit additional indebtedness, sales of assets, mergers and consolidations, dividends and distributions, changes in management and require the maintenance of various financial ratios.

NOTE C--LONG-TERM DEBT (CONTINUED)

The credit facility was personally guaranteed by the President and Executive Vice-President. The amount of their guarantees was limited to $750,000 each. The facility was terminated on October 31, 2000 and replaced with a new facility.

<TABLE>

The estimated maturities of long-term debt as of December 31, 1999 are as follows:	
2000	$ 271,480
2001	6,110,333

</TABLE>

On October 31, 2000, the Company entered into a new secured credit facility, which replaced the prior credit facility. The new credit facility provides for a line of credit of up to $15 million (the "Commitment"), subject to a borrowing base which is based on a periodic evaluation of oil and gas reserves which is reduced monthly to account for production ("Borrowing Base"). The amount of credit available at any one time under the credit facility is the lesser of the Borrowing Base or the amount of the Commitment. As of October 31, 2000, the borrowing base was $7.25 million which will be reduced by $105,000 per month beginning December 1, 2000. The credit facility has a maturity date of May 1, 2003. Borrowings bear interest at the prime rate plus 50%. The credit facility requires payment of an annual facility fee equal to 1/2% on the unused amount of the Borrowing Base. The Company is obligated to make principal payments if the amount outstanding would exceed the Borrowing Base. Borrowings under the credit agreement are secured by substantially all of the Company's oil and gas properties.

The credit facility contains various affirmative and restrictive covenants. These covenants, among other things, prohibit additional indebtedness, sales of assets, mergers and consolidations, dividends and distributions, changes in management and require the maintenance of various financial ratios.

The credit facility is personally guaranteed by the President and Executive Vice-President. The amount of their guarantees is limited to a maximum of $1,000,000 each.

At October 31, 2000, the Company had borrowed $7,250,000 under the credit facility, leaving no availibility for borrowings to fund development drilling obligations based on the existing Borrowing Base.

NOTE D--INCOME TAXES

Intangible development costs are expensed for income tax reporting purposes, whereas they are capitalized and amortized for financial statements purposes. Lease and well equipment and other property and equipment is depreciated for income tax reporting purposes using accelerated methods. Deferred income taxes are provided on these timing differences to the extent that income taxes which otherwise would have been payable are reduced. Deferred income tax assets also are recognized for operating losses that are available to offset future income taxes. Due to the uncertainty of the realization of income net operating tax loss carryfowards, the financial statements reflect a zero value for the Company's deferred income tax asset.

NOTE D--INCOME TAXES (CONTINUED)

At December 31, 1999, the Company had the following carryforwards available to reduce future income taxes:

<TABLE>
<S> <C>
Federal..... $1,404,723
Oklahoma..... 398,276
Kansas..... 267,424
Louisiana..... 83,201
New Mexico..... 37,693
</TABLE>

All of the net operating loss carryforward amounts shown above have been utilized for financial purposes to fully offset deferred tax liabilities. The net operating loss carryforwards expire from 2015 to 2019.

As of December 31, 1999, the Company's deferred tax liability of $432,000 was primarily associated with the difference between financial carrying value of oil and gas properties and the associated tax basis. As of the same date, the Company's deferred tax asset of $509,000 was primarily the result of the Company's net operating loss carryforwards.

As of December 31, 1999, the Company has recognized a full valuation allowance of $77,000 for the net operating loss carryforwards that have been generated since inception to the extent that the net operating loss carryforwards exceed the difference between financial carrying value and tax basis for the Company's property and equipment.

For the nine months ended September 30, 2000, the Company's effective income tax rate of 10% reflects the utilization of net operating loss carryforwards that previously were subject to a valuation allowance.

NOTE E--COMMITMENTS AND CONTINGENCIES

The Company is party to various legal actions arising in the normal course of business. Matters that are probable of unfavorable outcome to the Company and which can be reasonably estimated are accrued. Such accruals are based on information known about the matters, the Company's estimates of the outcomes of such matters, and its experience in contesting, litigating, and settling similar matters. None of the actions are believed by management to involve future amounts that would be material to the Company's financial position or results of operations after consideration of recorded accruals.

OPERATING LEASES: The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 1999.

<TABLE>
<CAPTION>
YEAR ENDING DECEMBER 31

<S> <C>

2000	$59,324
2001	9,943

NOTE E--COMMITMENTS AND CONTINGENCIES (CONTINUED)

Total rental expense for all operating leases is as follows for the years ended December 31:

1999	$57,630
1998	47,299

NOTE F--SHAREHOLDERS' EQUITY

The Series A preferred issue (par value $.01 per share) is convertible into 14.51 shares of common stock. Dividends are $.325 per year per share and cumulative. The Series B issue (par value $.01 per share) pays dividends at $6.00 per share per year and also are cumulative. Series B can be redeemed at the option of the Company. The redemption price is as follows:

By December 31, 1999	$1,000,000
By December 31, 2000	$1,500,000
By December 31, 2001	$2,000,000
After December 31, 2001	$2,200,000

No shares were redeemed as of December 31, 1999. After December 31, 2001, the shares are convertible into shares of common stock representing a specified increasing percentage of the shares outstanding, ranging from 593,000 shares to 1,089,000 shares as of January 2003. Cumulative dividends in arrears, but not declared, at December 31, 1999 were $32,500 and $132,000 for Series A and Series B, respectively. All dividend arrearages were eliminated in the conversion of the Series A and the purchase of the Series B as described below.

On October 25, 2000, the Company purchased all of the Series B preferred stock for $230,000 and retired such shares. Additionally, the holders of the Series A preferred stock converted the Series A preferred stock into 1,451,000 common shares.

On October 30, 2000, the Company effected a 14.51 for 1 stock split in the form of a stock dividend. All share amounts disclosed in these financial statements reflect this stock split as if it had occurred as of the earliest period presented.

In March, 1999, the Company purchased 725,500 shares of common stock and 50,000 shares of Series A preferred stock which was 100% of the holding of two of the shareholders. The purchase price was $375,000 in cash, along with one producing well and the surrounding acreage.

In October 2000, the board of directors and shareholders adopted the GMX RESOURCES INC. Stock Option Plan (the "Option Plan"). Under the Option Plan, the Company may grant both stock options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code and options which are not qualified as incentive stock options. Options may be granted under the Plan to key employees and nonemployee directors.

The maximum number of shares of common stock issuable under the Option Plan is 550,000, subject to appropriate adjustment in the event of a reorganization, stock split, stock dividend, reclassification or other change affecting our common stock. All executive officers and other key

(INFORMATION AS IT RELATES TO SEPTEMBER 30, 2000 AND THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000 IS UNAUDITED)

NOTE F--SHAREHOLDERS' EQUITY (CONTINUED)

employees who hold positions of significant responsibility are eligible to receive awards under the Option Plan. In addition, each director of the Company is eligible to receive options under the Plan. The exercise price of options granted under the Plan is not less than 100% of the fair market value of the shares on the date of grant. Options granted under the Plan become exercisable as the board may determine in connection with the grant of each option. In addition, the board may at any time accelerate the date that any option granted becomes exercisable.

The board of directors may amend or terminate the Option Plan at any time, except that no amendment will become effective without the approval of the shareholders except to the extent such approval may be required by applicable law or by the rules of any securities exchange upon which the Company shares are admitted to listed trading. The Option Plan will terminate in 2010, except with respect to awards then outstanding.

NOTE G--OTHER RELATED PARTY TRANSACTIONS

The Company has an agreement to issue common stock in exchange for services primarily performed in 1999 based on an agreement reached with an engineer in February 1999. In February 2000, 98,000 shares were issued pursuant to this agreement. Invoices subject to the agreement of $50,609 have been recorded as equity.

NOTE H--MAJOR CUSTOMERS

Sales to individual customers constituting 10% or more of total oil and gas sales for the year ended December 31, 1999 were as follows:

<TABLE>
<S> <C>
Teppco Crude..... 49.7%
Koch Gateway Pipeline..... 10.3%
</TABLE>

Management believes that the loss of any of the above customers would not have a material impact on the Company's results of operations or its financial position.

NOTE I--HEDGING ACTIVITIES

The Company utilizes a swap arrangement to hedge a portion of its exposure to price volatility from producing crude oil. The swap arrangement establishes a price above which the Company pays the counterparty and below which the Company is paid. Results from commodity hedging transactions are reflected in oil sales. Payments by the Company for the first nine months of 2000 totaled $423,470 and in 1999 totaled $81,600.

As of December 31, 1999 and September 30, 2000, the Company had a swap arrangement covering 5,000 barrels of crude oil per month through December 31, 2000 at a price of $20.25 per barrel. The swap arrangement covers approximately 80% of the Company's expected monthly production.

The fair value of the financial instrument as of December 31, 1999 was a liability of approximately $134,000.

NOTE J--CONCENTRATION OF CREDIT RISK

The Company maintains its cash in bank deposit accounts which, at times, may exceed federal insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

NOTE K--OIL AND GAS OPERATIONS

Capitalized costs related to the Company's oil and gas producing activities as of December 31, 1999 are:

<TABLE>

<CAPTION>

	1999
	(RESTATED)
<S>	<C>
Unproved properties	$ 720,210
Producing properties	7,176,877
	7,897,087
Less accumulated depreciation, depletion, and amortization	(756,297)
Net Capitalized Costs	$7,140,790

</TABLE>

Unproved properties include leaseholds under exploration. Producing properties include mineral properties with proved reserves, development wells, and uncompleted development well costs. Support equipment and facilities include costs for pipeline facilities, field equipment, and other supporting assets involved in oil and gas producing activities. The accumulated depreciation, depletion, and amortization represents the portion of the assets which have been charged to expense.

Costs incurred in oil and gas property acquisitions, exploration, and development activities in 1999 are as follows:

<TABLE>
<CAPTION>

	1999
<S>	<C>
Acquisition costs:	
Unproved properties	$ 199,860
Producing properties	514,212
Development costs	490,587
	$1,204,659

</TABLE>

Development costs include the cost of drilling and equipping development wells and constructing related production facilities for extracting, treating, gathering, and storing oil and gas from proved reserves.

NOTE K--OIL AND GAS OPERATIONS (CONTINUED)

The Company's results of operations in 1999 includes revenues and expenses associated directly with oil and gas producing activities.

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1998	1999
		(RESTATED)
<S>	<C>	<C>
Oil and gas sales	$ 1,794,513	$ 2,122,770
Production costs	(1,045,951)	(1,074,783)
Depreciation, depletion, and amortization	(384,850)	(372,199)
Results Of Operations From Oil And Gas Producing Activities	$ 363,712	$ 675,788

</TABLE>

NOTE L--SUPPLEMENTAL INFORMATION ON OIL AND GAS OPERATIONS (UNAUDITED)

The oil and gas reserve quantity information presented below is unaudited and is based upon reports prepared by independent petroleum engineers. The information is presented in accordance with regulations prescribed by the

Securities and Exchange Commission. The Company emphasizes that reserve estimates are inherently imprecise. The Company's reserve estimates were estimated by performance methods, volumetric methods, and comparisons with analogous wells, where applicable. The reserves estimated by the performance method utilized extrapolations of historical production data. Reserves were estimated by the volumetric or analogous methods in cases where the historical production data was insufficient to establish a definitive trend. Accordingly, these estimates are expected to change, and such changes could be material and occur in the near term as future information becomes available.

Proved oil and gas reserves represent the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are those expected to be recovered through existing wells with existing equipment and operating methods. As of December 31, 1999, all of the Company's oil and gas reserves were located in the United States. The December 31, 1999 and September 30, 2000 oil reserve

NOTE L--SUPPLEMENTAL INFORMATION ON OIL AND GAS OPERATIONS (UNAUDITED) (CONTINUED)

quantitites and standardized measure amounts have been restated from previously reported quantities and amounts.

<TABLE>
<CAPTION>

	OIL (MBBLS)	GAS (MMCF)
<S>	<C>	<C>
DECEMBER 31, 1998		
Proved reserves, beginning of period	--	--
Purchase of reserves in-place	1,939	17,743
Production	(75)	(442)
Proved reserves, end of period	1,864	17,301
Proved developed reserves:		
Beginning of period	--	--
End of period	780	8,597
DECEMBER 31, 1999		
Proved reserves, beginning of period	1,864	17,301
Extensions, discoveries, and other additions	66	2,219
Production	(71)	(443)
Sale of reserves in-place	(20)	--
Revisions of previous estimates	(192)	201
Proved reserves, end of period	1,647	19,278
Proved developed reserves:		
Beginning of period	780	8,597
End of period	1,083	9,194
SEPTEMBER 30, 2000		
Proved reserves, beginning of period	1,647	19,278
Extensions, discoveries, and other additions	1,523	30,409
Production	(56)	(511)
Revisions of previous estimates	776	(479)
Proved reserves, end of period	3,890	48,697
Proved developed reserves:		
Beginning of period	1,083	9,194
End of period	1,444	15,079

</TABLE>

Future cash inflows and future production and development costs are determined by applying year-end prices and costs to the estimated quantities of oil and gas to be produced. Estimates are made of quantities of proved reserves and the future periods during which they are expected to be produced

based on year-end economic conditions. Estimated future income taxes are computed using current statutory income tax rates including consideration of the current tax bases of the properties and related carryforwards giving effect to permanent differences. The resulting future net cash flows are reduced to present value amounts by applying a 10% annual discount factor.

The assumptions used to compute the standardized measure are those prescribed by the Financial Accounting Standards Board, and, as such do not necessarily reflect the Company's expectations of actual revenue to be derived from those reserves nor their present worth. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these estimates are the basis for the valuation process.

The following summary sets forth the Company's future net cash flows relating to proved oil and gas reserves based on the standardized measure prescribed in Statement of Financial Accounting Standards No. 69.

<TABLE>
<CAPTION>

	DECEMBER 31, 1998	DECEMBER 31, 1999	SEPTEMBER 30, 2000
		(IN THOUSANDS)	
<S>	<C>	<C>	<C>
Future cash inflows(a)	$ 56,196	$ 78,630	$383,488
Future production costs	(14,737)	(22,482)	(63,339)
Future development costs	(6,029)	(6,096)	(13,466)
Future income tax provision	(8,451)	(12,160)	(99,351)
Net future cash inflows	26,979	37,892	207,332
Less effect of a 10% discount factor	(7,733)	(14,989)	(89,286)
Standardized measure of discounted future net cash flows	$ 19,246	$ 22,903	$118,046
Discounted (at 10%) future net cash flows before income taxes	$ 25,275	$ 30,523	$174,611

</TABLE>

(a) Oil and condensate prices were based on an equivalent base price of $30.39 per barrel for benchmark posted West Texas Intermediate Crude Oil at closing on September 30, 2000. Adjustments to the base price were made to each lease to adjust the base price for crude oil quality, contractual agreements, and regional price variations. Natural gas prices were based on an equivalent base price of $5.45 per million British thermal unit (mmbtu) for the composite Henry Hub Spot Market benchmark price at closing on September 30, 2000. Adjustments to the base price were made to each lease to adjust the base price for quality, contractual agreements, and regional price variations.

Future income tax expenses are computed by applying the appropriate statutory rates to the future pre-tax net cash flows relating to proved reserves, net of the tax basis of the properties involved giving effect to permanent differences, tax credits, and allowances relating to proved oil and gas reserves.

NOTE L--SUPPLEMENTAL INFORMATION ON OIL AND GAS OPERATIONS (UNAUDITED) (CONTINUED)

Principal changes in the standardized measure of discounted future net cash flows attributable to the Company's proved reserves are as follows:

<TABLE>
<CAPTION>

	DECEMBER 31, 1998	DECEMBER 31, 1999	SEPTEMBER 30, 2000
<S>	<C>	<C>	<C>
Standardized measure, beginning of period	--	19,246	22,903
Sales of oil and gas, net of production costs	(696)	(976)	(3,901)
Net changes in prices and production costs	--	3,809	49,798
Extensions and discoveries, net of future development costs	--	422	92,018
Development costs that reduced future development costs	427	491	957
Revisions of quantity estimates	--	(1,250)	3,218
Purchases of reserves in place, net of future development costs	23,399	--	--
Sales of reserves in place	--	(46)	--
Accretion of discount	2,145	2,528	2,269
Net changes in income taxes	(6,029)	(1,321)	(49,216)
Standardized measure, end of period	19,246	22,903	118,046

</TABLE>

NOTE M--RESTATEMENT OF FINANCIAL STATEMENTS

The Company has restated previously reported 1999 financial statements to reflect additional depreciation, depletion, and amortization expense resulting from a restatement of December 31, 1999 oil and gas reserve quantities. The effect of the restatement was to increase depreciation, depletion, and amortization expense and the net loss for the year ended December 31, 1999 by $13,000 ($.01 per share) and to decrease oil and gas properties and shareholders' equity at December 31, 1999 by $13,000.

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<TABLE>

</TABLE>

DEALER PROSPECTUS DELIVERY OBLIGATION

UNTIL (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS THAT EFFECT THE TRANSACTIONS IN THESE SECURITIES; WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

1,250,000 UNITS

GMX RESOURCES INC.

[LOGO]

PROSPECTUS

, 2001

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Under Section 1031 of the Oklahoma General Corporation Act ("OGCA") and the Corporation's Certificate of Incorporation, the Corporation has broad powers to indemnify its directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act of 1933, as amended ("Securities Act").

The Corporation's Certificate of Incorporation provides that the Corporation shall indemnify, and may advance litigation expenses to its officers and directors to the fullest extent permitted by the OGCA. The Corporation may also indemnify, and advance litigation expenses to employees and agents of the Corporation, and persons serving at the request of the Corporation as directors, officers, employees or agents of another corporation, partnership, joint venture, trust or enterprise, to the fullest extent permitted by Oklahoma law. The Corporation will enter into agreements with its nonemployee directors providing for contractual rights of indemnity and expense advancement.

The Corporation's Certificate of Incorporation provides that, pursuant to Section 1006 of the OGCA, its directors shall not be liable for monetary damages for breach of the directors' fiduciary duty of care to the Corporation and its stockholders. The provision in the Certificate of Incorporation does not eliminate the duty of care and, in appropriate circumstances, equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Oklahoma Law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to the Corporation, as well as for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under the OGCA. The provision also does not affect a director's responsibilities under any other law, such as the state or federal securities laws.

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth an itemization of all estimated expenses, all of which we will pay, in connection with the issuance and distribution of the securities being registered:

<TABLE>
<CAPTION>

ITEM	AMOUNT
<S>	<C>
Securities and Exchange Commission Registration Fee.....	$ 16,606
Underwriter's Nonaccountable Expense Allowance	200,000
NASD Filing Fees.....	10,000
Nasdaq Listing Fee.....	15,000
Accounting Fees and Expenses.....	50,000
Legal Fees and Expenses.....	100,000
Engineering Fees and Expenses.....	25,000
Printing and Related Expenses.....	125,000
Transfer Agent's Fees and Expenses.....	10,000
Blue Sky Fees and Expenses.....	35,000
Travel.....	60,000
Miscellaneous Expenses.....	78,395
Total.....	$750,000

</TABLE>

ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES.

We have issued the following securities without registration within the last three years.

(1) On January 23, 1998, we issued 2,176,500 shares of our common stock (adjusted to reflect stock split described in subpoint (4) below) for cash consideration of $10,000 to our officers and directors. On February 16, 1998, we issued 150,000 shares of Series A Preferred Stock in exchange for cash consideration of $990,000 to our officers and directors. These shares were issued to four persons without publicity and were purchased for investment. These shares were issued in reliance on the exemption from registration under Section 4(2) of the Securities Act. All of the shares were sold directly by the Corporation.

(2) On February 16, 1998, we issued 22,000 shares of Series B Preferred Stock valued at $1,000,000 in exchange for interests in oil and gas properties received from an institutional investor. These shares were issued in reliance on the exemption under Section 4(2) of the Securities Act to a single purchaser who purchased for investment.

(3) In February, 2000, in return for engineering services, we issued an additional 98,000 shares of our common stock (adjusted to reflect stock split described in subpoint (4) below) to a consulting engineer in reliance on exemption under Section 4(2) of the Securities Act. These shares were issued to one person who purchased for investment.

(4) On October 30, 2000, 100,000 shares of Series A Preferred Stock were converted into 100,000 shares of common stock and we also effected a 14.51-to-1 stock split resulting in the issuance of an additional 2,793,246 shares of its Common Stock. The issuance of these shares did not constitute a sale under the Securities Act because no consideration was received from the holders of shares.

ITEM 27. EXHIBITS.

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
1.1**	Form of Underwriting Agreement
3.1*	Amended and Restated Certificate of Incorporation of GMX RESOURCES INC.
3.2*	Bylaws of GMX RESOURCES INC.
4.1**	Warrant Agreement with form of Warrant
4.2**	Form of Underwriters' Warrant
4.3*	Form of Lock-up Agreement
5.1**	Opinion of Crowe & Dunlevy, A Professional Corporation
9	Voting Trust Agreement (included in Exhibit 10.1)

10.1*	Letter Agreement between GMX and Jon Stromberg relating to issuance of 6,754 shares of GMX common stock
10.2**	Stock Option Plan, as amended
10.3*	Secured Revolving Credit Agreement dated October 31, 2000 with Local Oklahoma Bank, N.A.
10.4*	Letter Agreement to purchase Series B Preferred Stock
10.5*	Form of Director Indemnification Agreement
10.6*	Promissory Notes to Ken L. Kenworthy, Jr.
10.7*	Development Agreement with Tara Energy Partnerships
10.8**	Form of Promotional Share Escrow Agreement
16*	Letter from Former Accountant
21*	List of subsidiaries

EXHIBIT NUMBER	DESCRIPTION
23.1**	Consent of KPMG LLP, independent auditors
23.2**	Consent of Wright & McAfee, independent auditors
23.3**	Consent of Sproule Associates, Inc., independent petroleum engineers
23.4**	Consent of Crowe & Dunlevy, A Professional Corporation (included in Exhibit 5.1)
23.5*	Consent of T.J. Boismier to be named a Director
23.6*	Consent of Paul Malloy to be named a Director
27*	Financial Data Schedule

---

* Previously filed

** Filed herewith

ITEM 512. UNDERTAKINGS.

The Registrant hereby undertakes to:

(1) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by section 10(a)(3) of the Securities Act;

(ii) Reflect in the prospectus any facts of events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (" 230.424(b) of this chapter) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) Include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(3) File a post-effective amendment to remove from registration any of the securities which remain unsold at the end of the offering.

The Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission

such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to

a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant further undertakes that:

(1) For purposes of determining any liability under the Securities Act, treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act as part of this registration statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act, treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable ground to believe that it meets all of the requirements of filing on Form SB-2 and authorized this amendment to its registration statement to be signed on its behalf by the undersigned, in the City of Oklahoma City, State of Oklahoma, on January 31, 2001.

<TABLE>
<S> <C> <C>

GMX RESOURCES INC.

By: /s/ KEN L. KENWORTHY, JR.
Ken L. Kenworthy, Jr.
PRESIDENT

</TABLE>

In accordance with the requirements of the Securities Act of 1933, this amendment to the registration statement was signed by the following persons in the capacities and on the dates stated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<C>	<S>	<C>
/s/ KEN L. KENWORTHY, JR. Ken L. Kenworthy, Jr.	President and Director	January 31, 2001
/s/ KEN L. KENWORTHY, SR. Ken L. Kenworthy, Sr.	Executive Vice President, Chief Financial and Accounting Officer and Director	January 31, 2001

</TABLE>

EXHIBIT 1.1

1,125,000 UNITS

GMX RESOURCES INC.

UNDERWRITING AGREEMENT

February __, 2001

Paulson Investment Company, Inc.
As Representative of the
Several Underwriters
811 SW Naito Parkway, Suite 200
Portland, Oregon 97204

Gentlemen:

GMX RESOURCES INC., an Oklahoma corporation (the "Company"), proposes to sell to the several underwriters (the "Underwriters") named in Schedule I hereto for whom you are acting as Representative (the "Representative") an aggregate of 1,125,000 Units (the "Firm Units"). Each Unit will consist of one share of the Company's Common Stock ("Common Stock") and one Class A Warrant, substantially in the form filed as an exhibit to the Registration Statement (hereinafter defined.) The Class A Warrants included in the Units are herein referred to, collectively, as the "Class A Warrants" and the Class B Warrants issuable on exercise of the Class A Warrants are herein referred to, collectively, as the "Class B Warrants". The respective number of the Firm Units to be so purchased by the several Underwriters are set forth opposite their names in Schedule I hereto. The Company also proposes to grant to the Representative an option to purchase in aggregate up to 187,500 additional Units, identical to the Firm Units (the "Option Units"), as set forth below.

As the Representative, you have advised the Company (a) that you are authorized to enter into this Agreement for yourself as Representative and on behalf of the several Underwriters, and (b) that the several Underwriters are willing, acting severally and not jointly, to purchase the numbers of Firm Units set forth opposite their respective names in Schedule I. The Firm Units and the Option Units (to the extent the aforementioned option is exercised) are herein collectively called the "Units."

In consideration of the mutual agreements contained herein and of the interests of the parties in the transactions contemplated hereby, the parties hereto agree as follows:

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each of the Underwriters as follows:

(a) A registration statement on Form SB-2 (File No. 333-49328) with respect to the Units has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"), and the Rules and Regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder and has been filed with the Commission. Copies of such registration statement, including any amendments thereto, the preliminary prospectuses (meeting the requirements of the Rules and Regulations) contained therein and the exhibits, financial statements and schedules, as finally amended and revised, have heretofore been delivered by the Company to you. Such registration statement, together with any registration statement filed by the Company pursuant to Rule 462 (b) of the Act, herein referred to as the "Registration Statement," which shall be deemed to include all information omitted therefrom in reliance upon Rule 430A and contained in the Prospectus referred to below, has become effective under the Act and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. "Prospectus" means (a) the form of prospectus first filed with the Commission pursuant to Rule 424(b) or (b) the last preliminary prospectus included in the Registration Statement filed prior to the time it becomes effective or filed pursuant to Rule 424(a) under the Act that is delivered by the Company to the Underwriters for delivery to purchasers of the Units, together with the term sheet or abbreviated term sheet filed with the Commission pursuant to Rule 424(b)(7) under the Act. Each preliminary prospectus included in the Registration Statement prior to the time it becomes effective is herein referred to as a "Preliminary Prospectus."

(b) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Oklahoma, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement. Except as described in the Registration Statement, the Company does not own and never has owned a controlling interest in any other corporation or other business entity that has or ever has had any material assets, liabilities or operations. If the Registration Statement discloses the existence of any corporation or other business entity that is or has been owned or controlled by the Company, (each a "Subsidiary and, collectively, the "Subsidiaries") references in this Section 1 to the Company include reference to each Subsidiary unless the context clearly indicates otherwise and all representations with respect to the Company are deemed to be given with respect to the Company and each Subsidiary with such changes as are

reasonably required to reflect the nature of such Subsidiary. The Company is duly qualified to transact business in all jurisdictions in which the conduct of its business requires such qualification.

(c) The outstanding shares of each class or series of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable and, except as disclosed in the Registration Statement, have been issued and sold by the Company in compliance in all material respects with applicable securities laws; the issuance and sale of the Units have been duly authorized by all necessary corporate action and, when issued and paid for as contemplated herein, the Units will be validly issued, fully paid and non-assessable; and no preemptive rights of shareholders exist with respect to any security of the Company or the issue and sale thereof. Except as set forth in the Registration Statement, neither the filing of the Registration Statement nor the offering or sale of the Units as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any shares of Common Stock or other securities of the Company.

(d) The information set forth under the caption "Capitalization" in the Prospectus is true and correct. The Common Stock conforms and the Class A Warrants, the Class B Warrants and the Representative's Warrant will conform to the description thereof contained in the Registration Statement. The forms of certificates for the above securities conform to the requirements of the corporate law of Oklahoma.

(e) The Commission has not issued an order preventing or suspending the use of any Prospectus relating to the proposed offering of the Units nor instituted proceedings for that purpose. The Registration Statement contains, and the Prospectus and any amendments or supplements thereto will contain, all statements which are required to be stated therein by, and will conform to, the requirements of the Act and the Rules and Regulations. The Registration Statement and any amendment thereto do not contain, and will not contain, any untrue statement of a material fact and do not omit, and will not omit, to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus and any amendments and supplements thereto do not contain, and will not contain, any untrue statement of material fact; and do not omit, and will not omit, to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that the Company makes no representations or warranties as to information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any Underwriter through the Representative, specifically for use in the preparation thereof.

(f) The financial statements of the Company, together with related notes and schedules as set forth in the Registration Statement, present fairly the financial position and the results of operations and cash flows of the Company at the indicated dates and for the indicated periods. Such financial statements and related schedules have been prepared in accordance with generally accepted principles of accounting, consistently applied throughout the periods involved, except as disclosed herein and in the Registration Statement, and all adjustments necessary for a fair presentation of results for such periods have been made. The summary financial and statistical data of the Company included in the Registration Statement presents fairly the information shown therein

and such data has been compiled on a basis consistent with the financial statements presented therein and the books and records of the Company.

(g) KPMG LLP and Wright & McAfee, who have certified certain of the financial statements filed with the Commission as part of the Registration Statement, are each independent public accountants as required by the Act and the Rules and Regulations.

(h) There is no action, suit, claim or proceeding pending or, to the knowledge of the Company, threatened against the Company before any court or administrative agency or otherwise which if determined adversely to the Company might result in any material adverse change in the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company or prevent the consummation of the transactions contemplated hereby, except as set forth in the Registration Statement.

(i) The Company has good and marketable title to all personal properties and assets, tangible and intangible, reflected in the financial statements (or as described in the Registration Statement) hereinabove described, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements (or as described in the Registration Statement) or which are not material. The Company's ownership rights in its patents, patent licenses and other material technology is consistent with (i) the description thereof in the Registration Statement, and (ii) the business needs of the Company. All of the leases and subleases under which the Company holds properties are in full force and effect (with only such exceptions as are commonly accepted by prudent companies engaged in the Company's business) and the Company has not received notice of any claim that is materially adverse to the rights of the Company under any of such leases or subleases.

(j) The Company has filed all federal, state, local and foreign income tax returns which have been required to be filed and has paid all taxes indicated by said returns and all assessments received by it to the extent that such taxes have become due and are not being contested in good

faith. All tax liabilities have been adequately provided for in the financial statements of the Company.

(k) Since the respective dates as of which information is given in the Registration Statement, as it may have been amended or supplemented, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise), or prospects of the Company, whether or not occurring in the ordinary course of business, and there has not been any material transaction entered into or any material transaction that is probable of being entered into by the Company, other than transactions in the ordinary course of business and changes and transactions described in the Registration Statement, as it may be amended or supplemented. The Company has no material contingent obligations which are not disclosed in the Company's financial statements or elsewhere in the Prospectus which are included in the Registration Statement.

(l) The Company is not, nor, with the giving of notice or lapse of time or both, will it be, in violation of or in default under its Certificate of Incorporation or Bylaws or under any agreement, lease, contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound and which default is of material significance in respect of the condition, financial or otherwise of the Company or the business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is a party, or of the Certificate of Incorporation or Bylaws of the Company or any order, rule or regulation applicable to the Company of any court or of any regulatory body or administrative agency or other governmental body having jurisdiction.

(m) Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body necessary in connection with the execution and delivery by the Company of this Agreement and the consummation of the transactions herein contemplated (except such additional steps as may be required by the Commission, the National Association of Securities Dealers, Inc. (the "NASD") or such additional steps as may be necessary to qualify the Units for public offering by the Underwriters under state securities or Blue Sky laws) has been obtained or made and is in full force and effect.

(n) The Company holds all material patents, patent rights trademarks, trade names, copyrights, trade secrets and licenses of any of the foregoing (collectively, "Intellectual Property Rights") that are necessary

to the conduct of its businesses; there is no claim pending or, to the best knowledge of the Company, threatened against the Company or any of its officers, directors or employees, in their capacities as such, alleging any infringement of Intellectual Property Rights, or any violation of the terms of any license relating to Intellectual Property Rights, nor does the Company know of any basis for any such claim. The Company knows of no material infringement by others of Intellectual Property Rights owned by or licensed to the Company. The Company has obtained, is in compliance in all material respect with and maintains in full force and effect all material licenses, certificates, permits, orders or other, similar authorizations granted or issued by any governmental agency (collectively "Government Permits") required to conduct its business as it is presently conducted. No proceeding to revoke, limit or otherwise materially change any Government Permit has been commenced or, to the Company's best knowledge, is threatened against the Company, and the Company has no reason to anticipate that any such proceeding will be commenced against the Company. Except as disclosed or contemplated in the Prospectus, the Company has no reason to believe that any pending application for a Government Permit will be denied or limited in a manner inconsistent with the Company's business plan as described in the Prospectus.

(o) The Company is in all material respects in compliance with all applicable Environmental Laws. The Company has no knowledge of any past, present or, as anticipated by the Company, future events, conditions, activities, investigation, studies, plans or proposals that (i) would interfere with or prevent compliance with any Environmental Law by the Company or (ii) could reasonably be expected to give rise to any common law or other liability, or otherwise form the basis of a claim, action, suit, proceeding, hearing or investigation, involving the Company and related to Hazardous Substances or Environmental Laws. Except for the prudent and safe use and management of Hazardous Substances in the ordinary course of the Company's business, (i) no Hazardous Substance is or has been used, treated, stored, generated, manufactured or otherwise handled on or at any Facility and (ii) to the Company's best knowledge, no Hazardous Substance has otherwise come to be located in, on or under any Facility. No Hazardous Substances are stored at any Facility except in quantities necessary to satisfy the reasonably anticipated use or consumption by the Company. No litigation, claim, proceeding or governmental investigation is pending regarding any environmental matter for which the Company has been served or otherwise notified or, to the knowledge of the Company, threatened or asserted against the Company, or the officers or directors of the Company in their capacities as such, or any Facility or the Company's business. There are no orders, judgments or decrees of any court or of any governmental agency or instrumentality under any Environmental Law which specifically apply to the Company, any Facility or any of the Company's operations. The Company has not received from a governmental authority or other person (i) any notice that it is a potentially responsible person for any Contaminated site or (ii) any request for information about a site alleged to be Contaminated or regarding the disposal of Hazardous Substances. There is no

litigation or proceeding against any other person by the Company regarding any environmental matter. The Company has disclosed in the Prospectus or made available to the Underwriters and their counsel true, complete and correct copies of any reports, studies, investigations, audits, analyses, tests or monitoring in the possession of or initiated by the Company pertaining to any environmental matter relating to the Company, its past or present operations or any Facility.

For the purposes of the foregoing paragraph, "Environmental Laws" means any applicable federal, state or local statute, regulation, code, rule, ordinance, order, judgment, decree, injunction or common law pertaining in any way to the protection of human health or the environment, including without limitation, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Toxic Substances Control Act, the Clean Air Act, the Federal Water Pollution Control Act and any similar or comparable state or local law; "Hazardous Substance" means any hazardous, toxic, radioactive or infectious substance, material or waste as defined, listed or regulated under any Environmental Law; "Contaminated" means the actual existence on or under any real property of Hazardous Substances, if the existence of such Hazardous Substances triggers a requirement to perform any investigatory, remedial, removal or other response action under any Environmental Laws or if such response action legally could be required by any governmental authority; "Facility" means any property currently owned, leased or occupied by the Company.

(p) Neither the Company, nor to the Company's best knowledge, any of its affiliates, has taken or intends to take, directly or indirectly, any action which is designed to cause or result in, or which constitutes or might reasonably be expected to constitute, the stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of the Units.

(q) The Company is not an "investment company" within the meaning of such term under the Investment Company Act of 1940 and the rules and regulations of the Commission thereunder.

(r) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(s) The Company carries, or is covered by, insurance in

such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar industries.

(t) The Company is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company would have any liability; the Company has not incurred and does not expect to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

(u) The Company is in material compliance with all laws, rules, regulations, orders of any court or administrative agency, operating licenses or other requirements imposed by any governmental body applicable to it, including, without limitation, all applicable laws, rules, regulations, licenses or other governmental standards applicable to the its business; and the conduct of the business of the Company, as described in the Prospectus, will not cause the Company to be in violation of any such requirements.

(v) Each of the Class A Warrants, the Class B Warrants and the Representative's Warrants (as defined in Paragraph (d) of Section 2 hereof) have been authorized for issuance to the purchasers thereof or to the Representative or its designees, as the case may be, and will, when

issued, possess rights, privileges, and characteristics as represented in the most recent form of Class A Warrants, Class B Warrants or Representative's Warrants, as the case may be, filed as an exhibit to the Registration Statement; the securities to be issued upon exercise of the Class A Warrants, Class B Warrants and the Representative's Warrants, when issued and delivered against payment therefor in accordance with the terms thereof, will be duly and validly issued, fully paid, nonassessable and free of preemptive rights, and all corporate action required to be taken for the authorization and issuance of the Class A Warrants, Class B Warrants and the Representative's Warrants, and the securities to be issued upon their exercise, have been validly and sufficiently taken.

(w) Except as disclosed in the Prospectus, neither the Company nor any of its officers, directors or affiliates have caused any person, other than the Underwriters, to be entitled to reimbursement of any kind, including, without limitation, any compensation that would be

includable as underwriter compensation under the NASD's Corporate Financing Rule with respect to the offering of the Units, as a result of the consummation of such offering based on any activity of such person as a finder, agent, broker, investment adviser or other financial service provider.

(x) Except as described in the Prospectus, the Company does not directly or indirectly control or have a material interest in any other business entity.

(y) The Common Stock and the Class A Warrants have been approved for listing on the NASDAQ National Market ("NASDAQ") upon the effectiveness of the Registration Statement and the Company has satisfied all of the requirements of NASDAQ for such listing and for the trading of its Common Stock and Class A Warrants on NASDAQ.

(z) Sproule Associates, Inc., which has rendered its report with respect to the net proved oil and gas reserves and the estimated future net revenues from proved oil and gas reserves (the "Reserve Information"), is professionally qualified to issue a report with respect to the Reserve Information and has no material relationship with the Company or any Subsidiary; the Reserve Information is fairly presented in a manner consistent with industry practice with respect to such information; subsequent to the date of the Reserve Information, and except as disclosed in the Prospectus, there has been no material adverse change in the net proved oil and gas reserves and the estimated future net revenues from proved oil and gas reserves of the Company.

(aa) The Company has title that is defendable or customary in the oil and gas industry to all properties and assets, tangible and intangible, reflected in the Financial Statements, or as otherwise described in the Registration Statement, subject to no material lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in the Financial Statements or as otherwise described in the Registration Statement. All of the material leases and subleases under which the Company holds properties are in full force and effect (with only such exceptions as are commonly accepted by prudent companies in the oil and gas business) and the Company has not received notice of any material claim of any sort that has been asserted by anyone materially adverse to the rights of the Company under any of such leases or subleases, or affecting or questioning the rights of the

Company to the continued possession of the leased or subleased premises or property under any such lease or sublease.

2. PURCHASE, SALE AND DELIVERY OF THE UNITS.

(a) On the basis of the representations, warranties and covenants herein contained, and subject to the conditions herein set forth, the Company agrees to sell to the Underwriters and each Underwriter agrees,

severally and not jointly, to purchase, at a price of $____ per Unit, the number of Firm Units set forth opposite the name of each Underwriter in Schedule I hereof, subject to adjustments in accordance with Section 9 hereof.

(b) Payment for the Firm Units to be sold hereunder is to be made in New York Clearing House funds and, at the option of the Representative, by bank wire to an account specified by the Company, certified or bank cashier's checks drawn to the order of the Company, against either uncertificated delivery of Firm Units or of certificates therefor (which delivery, if certificated, shall take place in such location in New York, New York as may be specified by the Representative) to the Representative for the several accounts of the Underwriters. Such payment is to be made at the offices of the Representative at the address set forth on the first page of this agreement, at 7:00 a.m., Pacific time, on the third business day after the date of this Agreement or at such other time and date not later than five business days thereafter as you and the Company shall agree upon, such time and date being herein referred to as the "Closing Date." (As used herein, "business day" means a day on which the New York Stock Exchange is open for trading and on which banks in New York are open for business and not permitted by law or executive order to be closed.) Except to the extent uncertificated Firm Units are delivered at closing, the certificates for the Firm Units will be delivered in such denominations and in such registrations as the Representative requests in writing not later than the second full business day prior to the Closing Date, and will be made available for inspection by the Representative at least one business day prior to the Closing Date.

(c) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the Underwriters to purchase the Option Units at the price per Unit as set forth in Section 2(a). The option granted hereby may be exercised in whole or in part by giving written notice (i) at any time before the Closing Date and (ii) only once thereafter within 45 days after the date of this Agreement, by the Representative to the Company setting forth the number of Option Units as to which the Underwriters are exercising the option, the names and denominations in which the Option Units are to be registered and the time and date at which certificates representing such Units are to be delivered. The time and date at which certificates for Option Units are to be delivered shall be determined by the Representative but shall not be earlier than three nor later than 10 full business days after the exercise of such option, nor in any event prior to the Closing Date (such time and date being herein referred to as the "Option Closing Date"). If the date of exercise of the option is three or more days before the Closing Date, the notice of exercise shall set the Closing Date as the Option Closing Date. The option with respect to the Option Units granted hereunder may be exercised only

to cover over-allotments in the sale of the Firm Units by the Underwriters.

The Representative may cancel such option at any time prior to its expiration by giving written notice of such cancellation to the Company. To the extent, if any, that the option is exercised, payment for the Option Units shall be made on the Option Closing Date in New York Clearing House funds and, at the option of the Representative, by bank wire to an account specified by the Company, or certified or bank cashier's check drawn to the order of the Company for the Option Units to be sold by the Company in consideration either of uncertificated delivery of Option Units or delivery of certificates therefor (which delivery, if certificated, shall take place in such location in New York, New York as may be specified by the Representative) to the Representative for the several accounts of the Underwriters. Except to the extent uncertificated Option Units are delivered at closing, the certificates for the Option Units will be delivered in such denominations and in such registrations as the Representative requests in writing not later than the second full business day prior to the Option Closing Date, and will be made available for inspection by the Representative at least one business day prior to the Option Closing Date.

(d) In addition to the sums payable to the Representative as provided elsewhere herein, the Underwriters shall be entitled to receive at the Closing, for itself alone and not as Representative of the Underwriters, as additional compensation for its services, purchase warrants (the "Underwriters' Warrants") for the purchase of up to 125,000 Units at a price of $___ per Unit, upon the terms and subject to adjustment and conversion as described in the form of Representative's Warrants filed as an exhibit to the Registration Statement.

3. OFFERING BY THE UNDERWRITERS.

It is understood that the several Underwriters are to make a public offering of the Firm Units as soon as the Representative deems it advisable to do so. The Firm Units are to be initially offered to the public at the initial public offering price set forth in the Prospectus. The Representative may from time to time thereafter change the public offering price and other selling terms. To the extent, if at all, that any Option Units are purchased pursuant to Section 2 hereof, the Representative will offer them to the public on the foregoing terms.

It is further understood that you will act as the Representative for the Underwriters in the offering and sale of the Units in accordance with an Agreement Among Underwriters entered into by you and the several other Underwriters.

4. COVENANTS OF THE COMPANY.

The Company covenants and agrees with the several Underwriters that:

(a) The Company will (A) use its best efforts to cause the Registration Statement to become effective or, if the procedure in Rule 430A of the Rules and Regulations is followed, to prepare and timely file with the Commission under Rule 424(b) of the Rules and Regulations a

Prospectus in a form approved by the Representative containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A of the Rules and Regulations, and (B) not file any amendment to the Registration Statement or supplement to the Prospectus of which the Representative shall not previously have been advised and furnished with a copy or to which the Representative shall have reasonably objected in writing or which is not in compliance with the Rules and Regulations.

(b) The Company will advise the Representative promptly (A) when the Registration Statement or any post-effective amendment thereto shall have become effective, (B) of receipt of any comments from the Commission, (C) of any request of the Commission for amendment of the Registration Statement or for supplement to the Prospectus or for any additional information, and (D) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the use of the Prospectus or of the institution of any proceedings for that purpose. The Company will use its best efforts to prevent the issuance of any such stop order preventing or suspending the use of the Prospectus and to obtain as soon as possible the lifting thereof, if issued.

(c) The Company will cooperate with the Representative in endeavoring to qualify the Units for sale under the securities laws of such jurisdictions as the Representative may reasonably have designated in writing and will make such applications, file such documents, and furnish such information as may be reasonably required for that purpose, provided the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent. The Company will, from time to time, prepare and file such statements, reports, and other documents, as are or may be required to continue such qualifications in effect for so long a period as the Representative may reasonably request for distribution of the Units.

(d) The Company will deliver to, or upon the order of, the Representative, from time to time, as many copies of any Preliminary Prospectus as the Representative may reasonably request. The Company will deliver to, or upon the order of, the Representative during the period when delivery of a Prospectus is required under the Act, as many copies of the Prospectus in final form, or as thereafter amended or supplemented, as the Representative may reasonably request. The Company will deliver to the Representative at or before the Closing Date, four signed copies of the Registration Statement and all amendments thereto including all exhibits filed therewith, and will deliver to the Representative such number of copies of the Registration Statement (including such number of copies of the exhibits filed therewith that may reasonably be requested), and of all amendments thereto, as the Representative may reasonably request.

(e) The Company will comply with the Act and the Rules and Regulations, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Commission thereunder, so as to permit the completion of the distribution of the Units as contemplated in this Agreement and the Prospectus. If during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, any event shall occur as a result of

which, in the judgment of the Company or in the reasonable opinion of the Underwriters, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances existing at the time the Prospectus is delivered to a purchaser, not misleading, or, if it is necessary at any time to amend or supplement the Prospectus to comply with any law, the Company promptly will prepare and file with the Commission an appropriate amendment to the Registration Statement or supplement to the Prospectus so that the Prospectus as so amended or supplemented will not, in the light of the circumstances existing at the time the Prospectus is so delivered, be misleading, or so that the Prospectus will comply with the law.

(f) The Company will make generally available to its security holders, as soon as it is practicable to do so, but in any event not later than 15 months after the effective date of the Registration Statement, an earning statement (which need not be audited) in reasonable detail, covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement, which earning statement shall satisfy the requirements of Section 11(a) of the Act and Rule 158 of the Rules and Regulations and will advise you in writing when such statement has been so made available.

(g) The Company will, for a period of five years from the Closing Date, deliver to the Representative copies of annual reports and copies of all other documents, reports and information furnished by the Company to its stockholders or filed with any securities exchange pursuant to the requirements of such exchange or with the Commission pursuant to the Act or the Exchange Act. The Company will deliver to the Representative similar reports with respect to significant subsidiaries, as that term is defined in the Rules and Regulations, which are not consolidated in the Company's financial statements.

(h) No offering, sale, short sale or other disposition of any shares of Common Stock of the Company or other securities convertible into or exchangeable or exercisable for shares of Common Stock or derivatives of Common Stock (or agreement therefor) will be made for a period of one year after the date of this Agreement, directly or indirectly, by the Company otherwise than hereunder, or pursuant to contractual obligations existing on the date hereof or pursuant to employee benefit plans in effect on the date hereof, or with the prior written consent of the Representative, which

consent will not be unreasonably withheld.

(i) The Company will use its best efforts to list, subject to notice of issuance, the Common Stock, the Class A Warrants and the Class B Warrants on NASDAQ National Market and to cause such listing to remain in effect with respect to each such security unless and until (i) such security expires; (ii) such security is listed on another exchange of at least comparable reputation; or (iii) the Company is no longer required to file reports under Section 12 of the Exchange Act.

(j) The Company has caused each officer and director and each person who owns, beneficially or of record, shares of the Common Stock outstanding immediately prior to the date hereof to furnish to you, on or prior to the date of this agreement, a letter or letters, in form and substance satisfactory to the Underwriters ("Lockup Agreements"), pursuant to which each such

person shall agree (A) not to offer, sell, sell short or otherwise dispose of any shares of Common Stock or other capital stock of the Company, or any other securities convertible, exchangeable or exercisable for Common Stock or derivatives of Common Stock owned by such person or request the registration for the offer or sale of any of the foregoing (or as to which such person has the right to direct the disposition) for a period of one year after the date of this Agreement, directly or indirectly, except with the prior written consent of the Representative; and (B) to give prior written notice to the Representative for a period of two years from the effective date of the Registration Statement, with respect to any sales of Common Stock of the Company pursuant to Rule 144 under the Securities Act or any similar rule.

(k) The Company shall apply the net proceeds of its sale of the Units as set forth in the Prospectus and shall file such reports with the Commission with respect to the sale of the Units and the application of the proceeds therefrom as may be required in accordance with Rule 463 under the Act.

(l) The Company shall not invest, or otherwise use the proceeds received by the Company from its sale of the Units in such a manner as would require the Company to register as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act").

(m) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock and a Warrant Agent for the Class A Warrants and the Class B Warrants.

(n) The Company will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of

the price of any securities of the Company.

5. COSTS AND EXPENSES.

(a) The Representative shall be entitled to reimbursement from the Company, for itself alone and not as Representative of the Underwriters, to a non-accountable expense allowance equal to 2% of the aggregate initial public offering price of the Firm Units and any Option Units purchased by the Underwriters. The Representative shall be entitled to withhold this allowance on the Closing Date related to the purchase of the Firm Units or the Option Units, as the case may be.

(b) In addition to the payment described in Paragraph (a) of this Section 5, the Company will pay all costs, expenses and fees incident to the performance of the obligations of the Company under this Agreement, including, without limiting the generality of the foregoing, the following: accounting fees of the Company; the fees and disbursements of counsel for the Company; the cost of printing and delivering to, or as requested by, the Underwriters copies of the Registration Statement, Preliminary Prospectuses, the Prospectus, this Agreement, the NASDAQ listing application, the costs of due diligence investigation of the principals of the Company, the Blue Sky and any supplements or amendments thereto; the filing fees of the Commission; the filing fees and

expenses (including any fees and disbursements) incident to securing the required review by the NASD Regulation, Inc.) of the underwriting terms and arrangements; the NASDAQ National Market listing fee; and the expenses, including the fees and disbursements of counsel for the Underwriters, incurred in connection with the qualification of the Units under state securities or Blue Sky laws. Any transfer taxes imposed on the sale of the Units to the several Underwriters will be paid by the Company. The Company agrees to pay all costs and expenses of the Underwriters, including the fees and disbursements of counsel for the Underwriters, incident to the offer and sale of directed Units by the Underwriters to employees and persons having business relationships with the Company. The Company shall not, however, be required to pay for any of the Underwriters' expenses (other than those related to qualification under NASD regulation and state securities or Blue Sky laws) except that, if this Agreement shall not be consummated, then the Company shall reimburse the several Underwriters for accountable out-of-pocket expenses, including fees and disbursements of counsel, reasonably incurred in connection with investigating, marketing and proposing to market the Units or in contemplation of performing their obligations hereunder; but the Company shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits from the sale by them of the Units.

6. CONDITIONS OF OBLIGATIONS OF THE UNDERWRITERS.

The several obligations of the Underwriters to purchase the Firm Units on the Closing Date and the Option Units, if any, on the Option Closing Date are subject to the accuracy, as of the Closing Date or the Option Closing Date, as the case may be, of the representations and warranties of the Company contained herein, and to the performance by the Company of their covenants and obligations hereunder and to the following additional conditions:

(a) The Registration Statement and all post-effective amendments thereto shall have become effective and any and all filings required by Rule 424 and Rule 430A of the Rules and Regulations shall have been made, and any request of the Commission for additional information (to be included in the Registration Statement or otherwise) shall have been disclosed to the Representative and complied with to their reasonable satisfaction. No stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued and no proceedings for that purpose shall have been taken or, to the knowledge of the Company, shall be contemplated by the Commission and no injunction, restraining order, or order of any nature by a Federal or state court of competent jurisdiction shall have been issued as of the Closing Date which would prevent the issuance of the Units.

(b) The Representative shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinion of Crowe & Dunlevy, A Professional Corporation, counsel for the Company, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and stating that it may be relied upon by counsel to the Underwriters) to the effect that:

(i) (a) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Oklahoma, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement.

(b) Each Subsidiary has been duly organized and is validly existing as a business entity in good standing under the laws of its jurisdiction of formation with all requisite corporate power and authority under the laws governing such entities to own or lease its properties and conduct its business as described in the Registration Statement.

(c) the Company and each Subsidiary is duly qualified to transact business in all jurisdictions in which the failure to qualify would have a material adverse effect upon the business of the Company.

(ii) The Company has authorized and outstanding capital stock as set forth under the caption "Capitalization" in the Prospectus; the outstanding shares of Common Stock have been duly authorized

and validly issued and are fully paid and non-assessable; all of the securities of the Company conform to the description thereof contained in the Prospectus; the certificates for the Common Stock, the Class A Warrants and the Class B Warrants are in due and proper form; the shares of Common Stock to be sold by the Company pursuant to this Agreement, including shares of Common Stock to be sold as a part of the Option Units, have been duly authorized and, upon issuance and delivery thereof as contemplated in this Agreement and the Registration Statement, will be validly issued, fully paid and non-assessable; no preemptive rights of shareholders exist with respect to any of the Common Stock or the issuance or sale thereof pursuant to any applicable statute or the provisions of the Company's Certificate of Incorporation or Bylaws or, to such counsel's best knowledge, pursuant to any contractual obligation. The Class A Warrants, Class B Warrants and the Representative's Warrants have been authorized for issuance to the purchasers of Units or the Representative, as the case may be, and will, when issued, possess rights, privileges, and characteristics as represented in the most recent form of Class A Warrants, Class B Warrants or Representative's Warrants, as the case may be, filed as an exhibit to the Registration Statement; the securities to be issued upon exercise of the Class A Warrants, the Class B Warrants and the Representative's Warrants, as the case may be, when issued and delivered against payment therefor in accordance with the terms of the Representative's Warrants, will be duly and validly issued, fully paid, nonassessable and free of preemptive rights, and all corporate action required to be taken for the authorization and issuance of the Class A Warrants, the Class B Warrants, the Representative's Warrants, and the securities to be issued upon their exercise, has been validly and sufficiently taken. The Company's ownership interest in each Subsidiary is, in all material respects, as described in the Registration Statement.

(iii) Except as described in or contemplated by the Prospectus, to the knowledge of such counsel, there are no outstanding securities of the Company convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of capital stock of the Company and there are no outstanding or authorized options, warrants or rights of any character obligating the Company to issue any shares of its capital stock or any securities convertible or

exchangeable into or evidencing the right to purchase or subscribe for any shares of such stock; and except as described in the Prospectus, to the knowledge of such counsel, no holder of any securities of the Company or any other person has the right, contractual or otherwise, which has not been satisfied or effectively waived, to cause the Company to sell or otherwise issue to them, or to permit them to underwrite the sale of, any of the Units or the right to have any Common Stock or other securities of the Company included in the Registration Statement or the right, as a result of the filing of the Registration Statement, to require registration under the Act of any shares of Common Stock or other securities of the Company.

(iv) The Registration Statement has become effective under the Act and, to the best of the knowledge of such counsel, no stop order proceedings with respect thereto have been instituted or are pending or threatened under the Act.

(v) The Registration Statement, the Prospectus and each amendment or supplement thereto comply as to form in all material respects with the requirements of the Act and the applicable rules and regulations thereunder (except that such counsel need express no opinion as to the financial statements and related schedules therein).

(vi) The statements under the captions "Shares Eligible for Future Sale" and "Description of Securities" in the Prospectus and in Items __ and __ of the Registration Statement, insofar as such statements constitute a summary of documents referred to therein or matters of law, fairly summarize in all material respects the information called for with respect to such documents and matters.

(vii) Such counsel does not know of any contracts or documents required to be filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus which are not so filed or described as required, and such contracts and documents as are summarized in the Registration Statement or the Prospectus are fairly summarized in all material respects.

(viii) Such counsel knows of no material legal or governmental proceedings pending or threatened against the Company or any Subsidiary.

(ix) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the Certificate of Incorporation or Bylaws of the Company, or any agreement or instrument known to such counsel to which the Company is a party or by which the Company may be bound.

(x) Each of this Agreement and the Warrant Agreement by and among the Company, the Warrantholders (defined therein) and UMB Bank, n.a., as Warrant Agent, has been duly authorized, executed and delivered by the Company.

(xi) No approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body is necessary in connection with the execution and delivery of this Agreement and the consummation of the transactions herein contemplated (other than as may be required by the NASD or state securities commissions, as to which such counsel need express no opinion) except such as have been obtained or made, specifying the same.

(xii) The Company is not, and will not become, as a result of the consummation of the transactions contemplated by this Agreement, and application of the net proceeds therefrom as described in the Prospectus, required to register as an investment company under the 1940 Act.

In rendering such opinion, such counsel may rely as to matters governed by the laws of states other than Oklahoma or Federal laws on local counsel in such jurisdictions, provided that in each case such counsel shall state that they believe that they and the Underwriters are justified in relying on such other counsel. In addition to the matters set forth above, the opinion of Crowe & Dunlevy shall also include a statement to the effect that nothing has come to the attention of such counsel that has caused them to believe that (i) the Registration Statement, at the time it became effective under the Act (but after giving effect to any modifications incorporated therein pursuant to Rule 430A under the Act) and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein).

(c) The Representative shall have received from Stoel Rives LLP, counsel for the Underwriters, an opinion dated the Closing Date or the Option Closing Date, as the case may be, substantially to the effect specified in subparagraphs (i), (iv) and (v) of Paragraph (b) of this Section 6. In rendering such opinion Stoel Rives LLP may rely as to all matters governed other than by the laws of the State of Oregon or Federal laws on the opinion of counsel referred to in Paragraph (b) of this Section 6. In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel that has caused them to believe that (i) the Registration Statement, or any amendment thereto, as of the time it became effective under the Act (but after giving effect to any modifications incorporated therein pursuant to Rule 430A under the Act) and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements, in the

light of the circumstances under which they are made, not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein). With respect to such statement, Stoel Rives LLP may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(d) The Representative shall have received at or prior to the Closing Date from Stoel Rives LLP a memorandum or summary, in form and substance satisfactory to the Representative, with respect to the qualification for offering and sale by the Underwriters of the Units under the state securities or Blue Sky laws of such jurisdictions as the Representative may reasonably have designated to the Company.

(e) The Representative, on behalf of the several Underwriters, shall have received, on each of the dates hereof, the Closing Date and the Option Closing Date, as the case may be, a letter dated the date hereof, the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to the Representative, of each of KPMG LLP and Wright & McAfee confirming that they are independent public accountants within the meaning of the Act and the applicable published Rules and Regulations thereunder and stating that in their opinion the financial statements and schedules examined by them and included in the Registration Statement comply in form in all material respects with the applicable accounting requirements of the Act and the related published Rules and Regulations and containing such other statements and information as is ordinarily included in accountants' "comfort letters" to Underwriters with respect to the financial statements and certain financial and statistical information contained in the Registration Statement and Prospectus.

(f) The Representative shall have received on the Closing Date or the Option Closing Date, as the case may be, a certificate or certificates of the Chief Executive Officer and the Chief Financial Officer of the Company to the effect that, as of the Closing Date or the Option Closing Date, as the case may be, each of them severally represents as follows:

(i) The Registration Statement has become effective under the Act and no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for such purpose have been taken or are, to his knowledge, contemplated by the Commission;

(ii) The representations and warranties of the Company contained in Section 1 hereof are true and correct as of the Closing Date or the Option Closing Date, as the case may be;

(iii) All filings required to have been made pursuant to Rules 424 or 430A under the Act have been made;

(iv) He has carefully examined the Registration

Statement and the Prospectus and, in his opinion, as of the effective date of the Registration Statement, the statements contained in the Registration Statement were true and correct, and such Registration Statement and

Prospectus did not omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, and since the effective date of the Registration Statement, no event has occurred which should have been set forth in a supplement to or an amendment of the Prospectus which has not been so set forth in such supplement or amendment; and

(v) Since the respective dates as of which information is given in the Registration Statement and Prospectus, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the condition, financial or otherwise, of the Company or the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company, whether or not arising in the ordinary course of business.

(g) The Company shall have furnished to the Representative such further certificates and documents confirming the representations and warranties, covenants and conditions contained herein and related matters as the Representative may reasonably have requested.

(h) The Common Stock and Class A Warrants have been approved for listing upon notice of issuance on NASDAQ National Market.

(i) The Lockup Agreements described in Section 4(j) are in full force and effect.

The opinions and certificates mentioned in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in all material respects satisfactory to the Representative and to Stoel Rives LLP, counsel for the Underwriters.

If any of the conditions hereinabove provided for in this Section 6 shall not have been fulfilled when and as required by this Agreement to be fulfilled, the obligations of the Underwriters hereunder may be terminated by the Representative by notifying the Company of such termination in writing or by telegram at or prior to the Closing Date or the Option Closing Date, as the case may be.

In such event, the Company and the Underwriters shall not be under any obligation to each other (except to the extent provided in Sections 5 and 8 hereof).

7. CONDITIONS OF THE OBLIGATIONS OF THE COMPANY.

The obligations of the Company to sell and deliver the portion of the Units required to be delivered as and when specified in this Agreement are subject to the conditions that at the Closing Date or the Option Closing Date, as the case may be, no stop order suspending the effectiveness of the Registration Statement shall have been issued and in effect or proceedings therefor initiated or threatened.

8. INDEMNIFICATION.

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act, against any losses, claims, damages or liabilities to which such Underwriter or any such controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse each Underwriter and each such controlling person upon demand for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage or liability, action or proceeding or in responding to a subpoena or governmental inquiry related to the offering of the Units, whether or not such Underwriter or controlling person is a party to any action or proceeding; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representative specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Underwriter severally and not jointly will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Act, against any losses, claims, damages or liabilities to which the Company or any such director, officer or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or (ii) the omission or the alleged omission

to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that each Underwriter will be liable in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, any Preliminary Prospectus, the Prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representative specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which such Underwriter may otherwise have.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to this Section 8, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing. No indemnification provided for in Section 8(a) or (b) shall be available to any party who shall fail to give notice as provided in this Section 8(c) if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was materially prejudiced by the failure to give such notice, but the failure to give such notice shall not relieve the indemnifying party or parties from any liability which it or they may have to the indemnified party for contribution or otherwise than on account of the provisions of Section 8(a) or (b). In case any such proceeding shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel at its own expense. Notwithstanding the foregoing, the indemnifying party shall pay as incurred (or within 30 days of presentation) the fees and expenses of the counsel retained by the indemnified party in the event (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them or (iii) the indemnifying party shall have failed to assume the defense and employ counsel acceptable to the indemnified party within a reasonable period of time after notice of commencement of the action. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in

the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm for all such indemnified parties. Such firm shall be designated in writing by you in the case of parties indemnified pursuant to Section 8(a) and by the Company in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. In addition, the indemnifying party will not, without the prior written consent of the indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding of which indemnification may be sought hereunder (whether or not any indemnified party is an actual or potential party to such claim, action or proceeding) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action or proceeding.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or (b) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein,

then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Units. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, (or actions or proceedings in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bears to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such

statement or omission.

The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 8(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), (i) no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Units purchased by such Underwriter, and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this Section 8(d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) In any proceeding relating to the Registration Statement, any Preliminary Prospectus, the Prospectus or any supplement or amendment thereto, each party against whom contribution may be sought under this Section 8 hereby consents to the jurisdiction of any court having jurisdiction over any other contributing party, agrees that process issuing from such court may be served upon him or it by any other contributing party and consents to the service of such process and agrees that any other contributing party may join him or it as an additional defendant in any such proceeding in which such other contributing party is a party.

(f) Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 8 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred. The indemnity and contribution agreements contained in this Section 8 and the representations and warranties of the Company set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or any persons controlling the Company, (ii) acceptance of any Units and payment therefor hereunder, and (iii) any termination of this Agreement. A successor to any Underwriter, or to the Company, its directors or officers, or any person controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 8.

9. DEFAULT BY UNDERWRITERS.

If on the Closing Date or the Option Closing Date, as the case may be, any Underwriter shall fail to purchase and pay for the portion of the Units which such Underwriter has agreed to purchase and pay for on such date (otherwise than by reason of any default on the part of the Company), you, as Representative of the Underwriters, shall use reasonable efforts to procure within 36 hours thereafter one or more of the other Underwriters, or any others, to purchase from the Company such amounts as may be agreed upon and upon the terms set forth herein, the Firm Units or Option Units, as the case may be, which the defaulting Underwriter or Underwriters failed to purchase. If during such 36 hours you, as such Representative, shall not have procured such other Underwriters, or any others, to purchase the Firm Units or Option Units, as the case may be, agreed to be purchased by the defaulting Underwriter or Underwriters, then (a) if the aggregate number of Units with respect to which such default shall occur does not exceed 10% of the Firm Units or Option Units, as the case may be, covered hereby, the other Underwriters shall be obligated, severally, in proportion to the respective numbers of Firm Units or Option Units, as the case may be, which they are obligated to purchase hereunder, to purchase the Firm Units or Option Units, as the case may be, which such defaulting Underwriter or Underwriters failed to purchase, or (b) if the aggregate number of Firm Units or Option Units, as the case may be, with respect to which such default shall occur exceeds 10% of the Firm Units or Option Units, as the case may be, covered hereby, the Company or you as the Representative of the Underwriters will have the right, by written notice given within the next 36-hour period to the parties to this Agreement, to terminate this Agreement without liability on the part of the non-defaulting Underwriters or of the Company except to the extent provided in Section 8 hereof. In the event of a default by any Underwriter or Underwriters, as set forth in this Section 9, the Closing Date or Option Closing Date, as the case may be, may be postponed for such period, not exceeding seven days, as you, as Representative, may determine in order that the required changes in the Registration Statement or in the Prospectus or in any other documents or arrangements may be effected. The term "Underwriter" includes any person substituted for a defaulting Underwriter. Any action taken under this Section 9 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

10. NOTICES.

All communications hereunder shall be in writing and, except as otherwise provided herein, will be mailed, delivered, telecopied or telegraphed and confirmed as follows: if to the Underwriters, to Paulson Investment Company, Inc., 811 SW Naito Parkway, Portland, Oregon 97204, Attention: Chester L.F. Paulson; with a copy, which shall not constitute notice, to Stoel Rives LLP, 900 SW Fifth Avenue, Suite 2300, Portland, Oregon 97204, Attention: John J. Halle; if to the Company, to GMX RESOURCES INC., at

One Benham Place, Suite 600, 9400 North Broadway, Oklahoma City, Oklahoma, Attention: Ken L. Kenworthy, Sr.; with copy, which shall not constitute notice, to Crowe & Dunlevy, Attention: Michael M. Stewart.

11. TERMINATION.

This Agreement may be terminated by you by notice to the Company as follows:

(a) at any time prior to the earlier of (i) the time the Units are released by you for sale by notice to the Underwriters, or (ii) 11:30 a.m. on the first business day following the date of this Agreement;

(b) at any time prior to the Closing Date if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse change or any development involving a prospective material adverse change in or affecting the condition, financial or otherwise, of the Company, the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company, whether or not arising in the ordinary course of business, (ii) any outbreak or escalation of hostilities or declaration of war or national emergency or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, escalation, declaration, emergency, calamity, crisis or change on the financial markets of the United States would, in your reasonable judgment, make it impracticable to market the Units or to enforce contracts for the sale of the Units, (iii) the Dow Jones Industrial Average shall have fallen by 15 percent or more from its closing price on the day immediately preceding the date that the Registration Statement is declared effective by the Commission, (iv) suspension of trading in securities generally on the New York Stock Exchange or the American Stock Exchange or limitation on prices (other than limitations on hours or numbers of days of trading) for securities on either such Exchange, (v) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which in your opinion materially and adversely affects or may materially and adversely affect the business or operations of the Company, (vi) declaration of a banking moratorium by United States or New York State authorities, (vii) any downgrading in the rating of the Company's debt securities by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Exchange Act); (viii) the

suspension of trading of the Common Stock or the Class A Warrants by the Commission or NASDAQ, or (ix) the taking of any action by any governmental body or agency in respect of its monetary or fiscal affairs which in your reasonable opinion has a material adverse effect on the securities markets in the United States; or

(c) as provided in Sections 6 and 9 of this Agreement.

12. SUCCESSORS.

This Agreement has been and is made solely for the benefit of the Underwriters, the Company and their respective successors, executors, administrators, heirs and assigns, and the officers, directors and controlling persons referred to herein, and no other person will have any right or obligation hereunder. No purchaser of any of the Units from any Underwriter shall be deemed a successor or assign merely because of such purchase.

13. INFORMATION PROVIDED BY UNDERWRITERS.

The Company and the Underwriters acknowledge and agree that the only information furnished or to be furnished by any Underwriter to the Company for inclusion in the Prospectus or the Registration Statement consists of the information set forth in the last paragraph on the front cover page (insofar as such information relates to the Underwriters), legends required by Item 502(b) of Regulation S-B under the Act and the information under the caption "Underwriting" in the Prospectus.

14. MISCELLANEOUS.

The reimbursement, indemnification and contribution agreements contained in this Agreement and the representations, warranties and covenants in this Agreement shall remain in full force and effect regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of any Underwriter or controlling person thereof, or by or on behalf of the Company or its directors or officers and (c) delivery of and payment for the Units under this Agreement.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Oregon. All disputes relating to this Underwriting Agreement shall be adjudicated before a court located in Multnomah County, Oregon to the exclusion of all other courts that might have jurisdiction.

If the foregoing letter is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicates hereof, whereupon it will become a binding agreement among the Company and the several Underwriters in accordance with its terms.

Very truly yours,

GMX RESOURCES INC.

By:

---, ---

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

PAULSON INVESTMENT COMPANY, INC.
As Representative of the several
Underwriters listed on Schedule I

By:

Authorized Officer

SCHEDULE I

SCHEDULE OF UNDERWRITERS

<TABLE>
<CAPTION>

Underwriter	Number of Firm Units to be Purchased
<S>	<C>
Paulson Investment Company, Inc.	700,000
Total	1,250,000

</TABLE>

EXHIBIT 4.1

WARRANT AGREEMENT

between

GMX RESOURCES INC.

and

UMB BANK, n.a.

Dated as of _____, 2001

This Agreement, dated as of _____, 2001, is between GMX RESOURCES INC., an Oklahoma corporation (the "Company") and UMB Bank, n.a., a national bank, (the "Warrant Agent").

The Company, at or about the time that it is entering into this Agreement, proposes to issue and sell to public investors up to 1,437,500 Units ("Units"). Each Unit consists of one share of Common Stock of the Company ("Common Stock") and one Class A Warrant (collectively, the "Class A Warrants"), each Class A Warrant exercisable to purchase one share of Common Stock and one Class B Warrant (collectively, the "Class B Warrants") for the Exercise Price (hereinafter defined) upon the terms and conditions and subject to adjustment in certain circumstances, all as set forth in this Agreement. The Class A Warrants and the Class B Warrants are hereinafter referred to, collectively, as the "Warrants".

The Company proposes to issue to the Representative of the Underwriters in the public offering of Units referred to above warrants to purchase up to 125,000 additional Units.

The Company wishes to retain the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing so to act, in connection with the issuance, transfer, exchange and replacement of the certificates evidencing the Warrants to be issued under this Agreement (the "Warrant Certificates") and the exercise of the Warrants.

The Company and the Warrant Agent wish to enter into this Agreement to set forth the terms and conditions of the Warrants and the rights of the holders thereof ("Warrantholders") and to set forth the respective rights and obligations of the Company and the Warrant Agent. Each Warrantholder is an intended beneficiary of this Agreement with respect to the rights of Warrantholders herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

Section 1. APPOINTMENT OF WARRANT AGENT

The Company appoints the Warrant Agent to act as agent for the Company in accordance with the instructions in this Agreement and the Warrant Agent accepts such appointment.

Section 2. DATE, DENOMINATION AND EXECUTION OF WARRANT CERTIFICATES

The Warrant Certificates (and the Form of Election to Purchase and the Form of Assignment to be printed on the reverse thereof) shall be in registered form only and shall be substantially of the tenor and purport recited in Exhibits A (with respect to Class A Warrants) and B (with respect to Clas B Warrants) hereto, and may have such letters, numbers or other marks of identification or designation and such legends, summaries or endorsements printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, or with any rule or regulation made pursuant thereto, or with any rule or regulation of any stock exchange on which the Common Stock or the Warrants may be listed or any automated quotation system, or to conform to usage. Each Class A Warrant Certificate shall entitle the registered holder thereof, subject to the provisions of this Agreement and of the Warrant Certificate, to purchase, on or before 5 p.m., Central time, on _____, 2006 (the "Expiration Date"), one fully paid and non-assessable share of Common Stock and one Class B Warrant for each Warrant evidenced by such Warrant Certificate. The exercise price of each Class A Warrant shall be $___ in the case of any exercise occuring prior to _____, 2002 and thereafter shall be $_____, in each case subject to adjustments as provided in Sections 6 hereof, (the "Exercise Price"). Each Class B Warrant Certificate shall entitle the registered holder thereof, subject

to the provisions of this Agreement and of the Warrant Certificate, to purchase, on or before the close of business on the Expiration Date, one fully paid and non-assessable share of Common Stock for each Warrant evidenced by such Warrant Certificate for $____, subject to adjustments as provided in Sections 6 hereof, (the "Class B Exercise Price"). Each Class A Warrant Certificate issued as a part of a Unit offered to the public as described in the recitals, above, shall be dated _____, 2001; each other Class A Warrant Certificate and each Class B Warrant Certificate shall be dated the date on which the Warrant Agent receives valid issuance instructions from the Company or a transferring holder of a Warrant Certificate or, if such instructions specify another date, such other date.

For purposes of this Agreement, the term "close of business" on any given date shall mean 5:00 p.m., Central time, on such date; provided, however, that if such date is not a business day, it shall mean 5:00 p.m., Central time, on the next succeeding business day. For purposes of this Agreement, the term "business day" shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in Kansas City, Missouri are authorized or obligated by law to be closed.

Each Warrant Certificate shall be executed on behalf of the Company by the Chairman of the Board or its President or a Vice President, either manually or by facsimile signature printed thereon, and have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. Each Warrant Certificate shall be manually countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any Warrant Certificate shall cease to be such officer of the Company before countersignature by the Warrant Agent and issue and delivery thereof by the Company, such Warrant Certificate, nevertheless, may be countersigned by the Warrant Agent, issued and delivered with the same force and effect as though the person who signed such Warrant Certificate had not ceased to be such officer of the Company.

Section 3. SUBSEQUENT ISSUE OF WARRANT CERTIFICATES

Subsequent to their original issuance, no Warrant Certificates shall be reissued except (i) Warrant Certificates issued upon transfer thereof in accordance with Section 4 hereof, (ii) Warrant Certificates issued upon any combination, split-up or exchange of Warrant Certificates pursuant to Section 4 hereof, (iii) Warrant Certificates issued in replacement of mutilated, destroyed, lost or stolen Warrant Certificates pursuant to Section 5 hereof, (iv) Warrant Certificates issued upon the partial exercise of Warrant Certificates pursuant to Section 7 hereof, and (v) Warrant Certificates issued to reflect any adjustment or change in the Exercise Price or the number or kind of shares purchasable thereunder pursuant to Section 22

hereof. The Warrant Agent is hereby irrevocably authorized to countersign and deliver, in accordance with the provisions of said Sections 4, 5, 7 and 22, the new Warrant Certificates required for purposes thereof, and the Company, whenever required by the Warrant Agent, will supply the Warrant Agent with Warrant Certificates duly executed on behalf of the Company for such purposes.

Section 4. TRANSFERS AND EXCHANGES OF WARRANT CERTIFICATES

The Warrant Agent will keep or cause to be kept books for registration of ownership and transfer of the Warrant Certificates issued hereunder. Such registers shall show the names and addresses of the respective holders of the Warrant Certificates and the kind and number of Warrants evidenced by each such Warrant Certificate.

The Warrant Agent shall, from time to time, register the transfer of any outstanding Warrants upon the books to be maintained by the Warrant Agent for that purpose, upon surrender of the Warrant Certificate evidencing such Warrants, with the Form of Assignment duly filled in and executed with such signature guaranteed by a banking institution or NASD member and such supporting documentation as the Warrant Agent or the Company may reasonably require, to the Warrant Agent at its stock transfer office in Kansas City, Missouri at any time on or before the Expiration Date, and upon payment to the Warrant Agent for the account of the Company of an amount equal to any applicable transfer tax. Payment of the amount of such tax may be made in cash, or by certified or official bank check, payable in lawful money of the United States of America to the order of the Company.

Upon receipt of a Warrant Certificate, with the Form of Assignment duly filled in and executed, accompanied by payment of an amount equal to any applicable transfer tax, the Warrant Agent shall promptly cancel the surrendered Warrant Certificate and countersign and deliver to the transferee a new Warrant Certificate for the number of full Class A Warrants or Class B Warrants, as the case may be, transferred to such transferee; PROVIDED, HOWEVER, that in case the registered holder of any Warrant Certificate shall elect to transfer fewer than all of the Warrants evidenced by such Warrant Certificate, the Warrant Agent in addition shall promptly countersign and deliver to such registered holder a new Warrant Certificate or Certificates for the number of full Class A Warrants or Class B Warrants, as the case may be, not so transferred.

Any Warrant Certificate or Certificates may be exchanged at the option of the holder thereof for another Warrant Certificate or Certificates of different denominations, of like tenor and representing in the aggregate the same kind and number of Warrants, upon surrender of such Warrant Certificate or Certificates, with the Form of Assignment duly filled in and executed, to the Warrant Agent, at any time or from time to time after the

close of business on the date hereof and prior to the close of business on the Expiration Date. The Warrant Agent shall promptly cancel the surrendered Warrant Certificate and deliver the new Warrant Certificate pursuant to the provisions of this Section.

Section 5. MUTILATED, DESTROYED, LOST OR STOLEN WARRANT CERTIFICATES

Upon receipt by the Company and the Warrant Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of any Warrant Certificate, and in the case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and reimbursement to them of all reasonable expenses incidental thereto, and, in the case of mutilation, upon surrender and cancellation of the Warrant Certificate, the Warrant Agent shall countersign and deliver a new Warrant Certificate of like tenor for the same kind and number of Warrants.

Section 6. ADJUSTMENTS OF NUMBER AND KIND OF SHARES PURCHASABLE AND EXERCISE PRICE

The number and kind of securities or other property purchasable upon exercise of a Warrant shall be subject to adjustment from time to time upon the occurrence, after the date hereof, of any of the following events:

A. In case the Company shall (1) pay a dividend in, or make a distribution of, shares of capital stock on its outstanding Common Stock, (2) subdivide its outstanding shares of Common Stock into a greater number of such shares or (3) combine its outstanding shares of Common Stock into a smaller number of such shares, the total number of shares of Common Stock purchasable upon the exercise of each Class A Warrant outstanding immediately prior thereto and each Class B Warrant, whether outstanding prior thereto or subsequently issued on exercise of Class A Warrants shall be adjusted so that the holder of any Warrant Certificate thereafter surrendered for exercise shall be entitled to receive at the same aggregate Exercise Price the number of shares of capital stock (of one or more classes) which such holder would have owned or have been entitled to receive immediately following the happening of any of the events described above had such Warrant been exercised in full immediately prior to the record date with respect to such event. The above adjustment shall not affect the number of Class B Warrants issuable on exercise of any Class A Warrant. Any adjustment made pursuant to this Subsection shall, in the case of a stock dividend or distribution, become effective as of the record date therefor and, in the case of a subdivision or combination, be made as of the effective date thereof. If, as a result of an adjustment made pursuant to this Subsection, the holder of any Warrant Certificate thereafter surrendered for exercise shall become entitled to receive shares of two or more classes of capital stock of the Company, the Board of Directors of the Company (whose determination shall be conclusive and shall be evidenced by a Board resolution filed with the Warrant Agent) shall determine the allocation of the adjusted Exercise Price between or among shares of such classes of capital stock.

B. In the event of a capital reorganization or a reclassification of the

Common Stock (except as provided in Subsection A. above or Subsection E. below), any Warrantholder, upon exercise of Warrants, shall be entitled to receive, in substitution for the Common Stock to which he would have become entitled upon exercise immediately

prior to such reorganization or reclassification, the shares (of any class or classes) or other securities or property of the Company (or cash) that he would have been entitled to receive at the same aggregate Exercise Price upon such reorganization or reclassification if such Warrants had been exercised immediately prior to the record date with respect to such event; and in any such case, appropriate provision (as determined by the Board of Directors of the Company, whose determination shall be conclusive and shall be evidenced by a certified Board resolution filed with the Warrant Agent), shall be made for the application of this Section 6 with respect to the rights and interests thereafter of the Warrantholders (including but not limited to the allocation of the Exercise Price between or among shares of classes of capital stock), to the end that this Section 6 (including the adjustments of the number of shares of Common Stock or other securities purchasable and the Exercise Price thereof) shall thereafter be reflected, as nearly as reasonably practicable, in all subsequent exercises of the Warrants for any shares or securities or other property (or cash) thereafter deliverable upon the exercise of the Warrants. The above adjustment shall not affect the number of Class B Warrants issuable on exercise of any Class A Warrant.

C. Whenever the number of shares of Common Stock or other securities purchasable upon exercise of a Warrant is adjusted as provided in this Section 6, the Company will promptly file with the Warrant Agent a certificate signed by a Chairman or co-Chairman of the Board or the President or a Vice President of the Company and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company setting forth the number and kind of securities or other property purchasable upon exercise of a Class A Warrant and a Class B Warrant, as so adjusted, stating that such adjustments in the number or kind of shares or other securities or property conform to the requirements of this Section 6, and setting forth a brief statement of the facts accounting for such adjustments. Promptly after receipt of such certificate, the Company, or the Warrant Agent at the Company's request, will deliver, by first-class, postage prepaid mail, a brief summary thereof (to be supplied by the Company) to the registered holders of the outstanding Warrant Certificates; PROVIDED, HOWEVER, that failure to file or to give any notice required under this Subsection, or any defect therein, shall not affect the legality or validity of any such adjustments under this Section 6; and PROVIDED, FURTHER, that, where appropriate, such notice may be given in advance and included as part of the notice required to be given pursuant to Section 12 hereof.

D. In case of any consolidation of the Company with, or merger of the

Company into, another corporation (other than a consolidation or merger which does not result in any reclassification or change of the outstanding Common Stock), or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the corporation formed by such consolidation or merger or the corporation which shall have acquired such assets, as the case may be, shall execute and deliver to the Warrant Agent a supplemental warrant agreement providing that the holder of each Warrant then outstanding shall have the right thereafter (until the expiration of such Warrant) to receive, upon exercise of such Warrant, solely the kind and amount of shares of stock and other securities and property (or cash) receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock of the Company for which such Warrant, and, in the case of the exercise of a Class A Warrant, the Class B Warrant for which such Class A Warrant would otherwise have been exercisable, might have been exercised immediately prior to such consolidation, merger, sale or transfer. Such supplemental warrant agreement shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section. The above provision of this Subsection shall similarly apply to successive consolidations, mergers, sales or transfers.

The Warrant Agent shall not be under any responsibility to determine the correctness of any provision contained in any such supplemental warrant agreement relating to either the kind or amount of shares of stock or securities or property (or cash) purchasable by holders of Warrant Certificates upon the exercise of their Warrants after any such consolidation, merger, sale or transfer or of any adjustment to be made with respect thereto, but subject to the provisions of Section 20 hereof, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, a certificate of a firm of independent certified public accountants (who may be the accountants regularly employed by the Company) with respect thereto.

E. Irrespective of any adjustments in the number or kind of shares issuable upon exercise of Warrants, Warrant Certificates theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in the similar Warrant Certificates initially issuable pursuant to this Warrant Agreement.

F. The Company may retain a firm of independent public accountants of recognized standing, which may be the firm regularly retained by the Company, selected by the Board of Directors of the Company or the Executive Committee of said Board, and not disapproved by the Warrant Agent, to make any computation required under this Section, and a certificate signed by such firm shall, in the absence of fraud or gross negligence, be conclusive evidence of the correctness of any computation made under this Section.

G. For the purpose of this Section, the term "Common Stock" shall mean (i) the Common Stock or (ii) any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that at any time as a result of an adjustment made pursuant to this Section, the holder of any Warrant thereafter surrendered for exercise shall become entitled to receive any shares of capital stock of the Company other than shares of Common Stock, thereafter the number of such other shares so receivable upon exercise of any Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in this Section, and all other provisions of this Agreement, with respect to the Common Stock, shall apply on like terms to any such other shares.

H. The Company may, from time to time and to the extent permitted by law, reduce the exercise price of the Class A Warrants or Class B Warrants by any amount for a period of not less than 20 days. If the Company so reduces the exercise price of such Warrants, it will give not less than 15 days' notice of such decrease, which notice may be in the form of a press release, and shall take such other steps as may be required under applicable law in connection with any offers or sales of securities at the reduced price.

Section 7. EXERCISE OF WARRANTS

The registered holder of any Warrant Certificate may exercise the Warrants evidenced thereby, in whole at any time or in part from time to time at or prior to the close of business, on the Expiration Date, subject to the provisions of Section 9, at which time the Warrant Certificates shall be and become wholly void and of no value. Warrants may be exercised by their holders or redeemed by the Company as follows:

A. Exercise of Warrants shall be accomplished upon surrender of the Warrant Certificate evidencing such Warrants, with the Form of Election to Purchase on the reverse side thereof duly filled in and executed, to the Warrant Agent at its stock transfer office in Kansas City, Missouri, together with payment to the Company of the Exercise Price (as of the date of such surrender) of the Warrants then being exercised and an amount equal to any applicable transfer tax and, if requested by the Company, any other taxes or governmental charges which the Company may be required by law to collect in respect of such exercise. Payment of the Exercise Price and other amounts may be made by wire transfer of good funds, or by certified or bank cashier's check, payable in lawful money of the United States of America to the order of the Company. No adjustment shall be made for any cash dividends, whether paid or declared, on any securities issuable upon exercise of a Warrant.

B. Upon receipt of a Warrant Certificate, with the Form of Election to Purchase duly filled in and executed, accompanied by payment of the Exercise Price of the Warrants being exercised (and of an amount equal to any applicable taxes or government charges as aforesaid), the Warrant Agent shall

promptly request from the Transfer Agent with respect to the securities to be issued and deliver to or upon the order of the registered holder of such Warrant Certificate, in such name or names as such registered holder may designate, a certificate or certificates for the number of full shares of the securities to be purchased, together with cash made available by the Company pursuant to Section 8 hereof in respect of any fraction of a share of such securities otherwise issuable upon such exercise. If the Warrant is then exercisable to purchase property other than securities, the Warrant Agent shall take appropriate steps to cause such property to be delivered to or upon the order of the registered holder of such Warrant Certificate. In addition, if it is required by law and upon instruction by the Company, the Warrant Agent will deliver to each Warrantholder a prospectus which complies with the provisions of Section 9 of the Securities Act of 1933 and the Company agrees to supply the Warrant Agent with sufficient number of prospectuses to effectuate that purpose.

C. In case the registered holder of any Warrant Certificate shall exercise fewer than all of the Warrants evidenced by such Warrant Certificate, the Warrant Agent shall promptly countersign and deliver to the registered holder of such Warrant Certificate, or to his duly authorized assigns, a new Warrant Certificate or Certificates evidencing the number of Warrants that were not so exercised.

D. Each person in whose name any certificate for securities is issued upon the exercise of Warrants shall for all purposes be deemed to have become the holder of record of the securities represented thereby as of, and such certificate shall be dated, the date upon which the Warrant Certificate was duly surrendered in proper form and payment of the Exercise Price (and of any applicable taxes or other governmental charges) was made; PROVIDED, HOWEVER, that if the date of such surrender and payment is a date on which the stock transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares as of, and the certificate for such shares shall be dated, the next succeeding business day on which the stock transfer books of the Company are open (whether before, on or after the Expiration Date) and the Warrant Agent shall be under no duty to deliver the certificate for such shares until such date. The Company covenants and agrees that it shall not cause its stock transfer books to be closed for a period of more than 20 consecutive business days except upon consolidation, merger, sale of all or substantially all of its assets, dissolution or liquidation or as otherwise provided by law.

Section 8. FRACTIONAL INTERESTS

The Company shall not be required to issue any Warrant Certificate evidencing a fraction of a Warrant or to issue fractions of shares of securities on the exercise of the Warrants. If any fraction

(calculated to the nearest one-hundredth) of a Warrant or a share of securities would, except for the provisions of this Section, be issuable on the exercise of any Warrant, the Company shall, at its option, either purchase such fraction for an amount in cash equal to the current value of such fraction computed on the basis of the closing market price (as quoted on NASDAQ) on the trading day immediately preceding the day upon which such Warrant Certificate was surrendered for exercise in accordance with Section 7 hereof or issue the required fractional Warrant or share. By accepting a Warrant Certificate, the holder thereof expressly waives any right to receive a Warrant Certificate evidencing any fraction of a Warrant or to receive any fractional share of securities upon exercise of a Warrant, except as expressly provided in this Section 8.

Section 9. RESERVATION OF EQUITY SECURITIES

The Company covenants that it will at all times reserve and keep available, free from any pre-emptive rights, out of its authorized and unissued equity securities, solely for the purpose of issue upon exercise of the Warrants, such number of shares of equity securities of the Company as shall then be issuable upon the exercise of all outstanding Warrants ("Equity Securities"). The Company covenants that all Equity Securities which shall be so issuable shall, upon such issue, be duly authorized, validly issued, fully paid and non-assessable.

The Company covenants that if any Equity Securities, required to be reserved for the purpose of issue upon exercise of the Warrants hereunder, require registration with or approval of any governmental authority under any federal or state law before such shares may be issued upon exercise of Warrants, the Company will use all commercially reasonable efforts to cause such securities to be duly registered, or approved, as the case may be, and, to the extent practicable, take all such action in anticipation of and prior to the exercise of the Warrants, including, without limitation, filing any and all post-effective amendments to the Company's Registration Statement on Form SB-2 (Registration No. 333-49328) necessary to permit a public offering of the securities underlying the Warrants at any and all times during the term of this Agreement, PROVIDED, HOWEVER, that in no event shall such securities be issued, and the Company is authorized to refuse to honor the exercise of any Warrant, if such exercise would result in the opinion of the Company's Board of Directors, upon advice of counsel, in the violation of any law; and PROVIDED FURTHER that, in the case of a Warrant exercisable solely for securities listed on a securities exchange or for which there are at least two independent market makers, in lieu of obtaining such registration or approval, the Company may elect to redeem Warrants submitted to the Warrant Agent for exercise for a price equal to the difference between the aggregate low asked price, or closing price, as the case may be, of the securities for which

such Warrant is exercisable on the date of such submission and the Exercise Price of such Warrants; in the event of such redemption, the Company will pay to the holder of such Warrants the above-described redemption price in cash within 10 business days after receipt of notice from the Warrant Agent that such Warrants have been submitted for exercise.

Section 10. REDUCTION OF CONVERSION PRICE BELOW PAR VALUE

Before taking any action that would cause an adjustment pursuant to Section 6 hereof reducing the portion of the Exercise Price required to purchase one share of capital stock below the then par value (if any) of a share of such capital stock, the Company will use its best efforts to take any corporate action which, in the opinion of its counsel, may be necessary in order that the Company may validly and legally issue fully paid and non-assessable shares of such capital stock.

Section 11. PAYMENT OF TAXES

The Company covenants and agrees that it will pay when due and payable any and all federal and state documentary stamp and other original issue taxes which may be payable in respect of the original issuance of the Warrant Certificates, or any shares of Common Stock or other securities upon the exercise of Warrants. The Company shall not, however, be required (i) to pay any tax which may be payable in respect of any transfer involved in the transfer and delivery of Warrant Certificates or the issuance or delivery of certificates for Common Stock or other securities in a name other than that of the registered holder of the Warrant Certificate surrendered for purchase or (ii) to issue or deliver any certificate for shares of Common Stock or other securities upon the exercise of any Warrant Certificate until any such tax shall have been paid, all such tax being payable by the holder of such Warrant Certificate at the time of surrender.

Section 12. NOTICE OF CERTAIN CORPORATE ACTION

In case the Company after the date hereof shall propose (i) to offer to the holders of Common Stock, generally, rights to subscribe to or purchase any additional shares of any class of its capital stock, any evidences of its indebtedness or assets, or any other rights or options or (ii) to effect any reclassification of Common Stock (other than a reclassification involving merely the subdivision or combination of outstanding shares of Common Stock) or any capital reorganization, or any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or any sale, transfer or other disposition of its property and assets substantially as an entirety, or the liquidation, voluntary or involuntary dissolution or winding-up of the Company, then, in each such case, the Company shall file with the Warrant Agent and the Company, or the Warrant Agent on its behalf, shall mail (by first-class, postage prepaid mail) to all registered holders of the Warrant Certificates notice of such proposed action, which notice shall specify the date on which the books of the Company shall close or a

record be taken for such offer of rights or options, or the date on which such reclassification, reorganization, consolidation, merger, sale, transfer, other disposition, liquidation, voluntary or involuntary dissolution or winding-up shall take place or commence, as the case may be, and which shall also specify any record date for determination of holders of Common Stock entitled to vote thereon or participate therein and shall set forth such facts with respect thereto as shall be reasonably necessary to indicate any adjustments in the Exercise Price and the number or kind of shares or other securities purchasable upon exercise of Warrants which will be required as a result of such action. Such notice shall be filed and mailed in the case of any action covered by clause (i) above, at least ten days prior to the record date for determining holders of the Common Stock for purposes of such action or, if a record is not to be taken, the date as of which the holders of shares of Common Stock of record are to be entitled to such offering; and, in the case of any action covered by clause (ii) above, at least 20 days prior to the earlier of the date on which such reclassification, reorganization, consolidation, merger, sale, transfer, other disposition, liquidation, voluntary or involuntary dissolution or winding-up is expected to become effective and the date on which it is expected that holders of shares of Common Stock of record on such date shall be entitled to exchange their shares for securities or other property deliverable upon such reclassification, reorganization, consolidation, merger, sale, transfer, other disposition, liquidation, voluntary or involuntary dissolution or winding-up.

Failure to give any such notice or any defect therein shall not affect the legality or validity of any transaction listed in this Section 12.

Section 13. DISPOSITION OF PROCEEDS ON EXERCISE OF WARRANT CERTIFICATES, ETC.

The Warrant Agent shall account promptly to the Company with respect to Warrants exercised and concurrently pay to the Company all moneys received by the Warrant Agent for the purchase of securities or other property through the exercise of such Warrants.

The Warrant Agent shall keep copies of this Agreement available for inspection by Warrantholders during normal business hours at its stock transfer office. Copies of this Agreement may be obtained upon written request addressed to the Warrant Agent at its stock transfer office in Kansas City, Missouri.

Section 14. WARRANTHOLDER NOT DEEMED A STOCKHOLDER

No Warrantholder, as such, shall be entitled to vote, receive dividends or be deemed the holder of Common Stock or any other securities of the Company which may at any time be issuable on the exercise of the Warrants represented thereby for any purpose whatever, nor shall anything contained herein or in any Warrant Certificate be construed to confer upon any

Warrantholder, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, merger, conveyance or otherwise), or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 12 hereof), or to receive dividend or subscription rights, or otherwise, until such Warrant Certificate shall have been exercised in accordance with the provisions hereof and the receipt of the Exercise Price and any other amounts payable upon such exercise by the Warrant Agent.

Section 15. RIGHT OF ACTION

All rights of action in respect to this Agreement are vested in the respective registered holders of the Warrant Certificates; and any registered holder of any Warrant Certificate, without the consent of the Warrant Agent or of any other holder of a Warrant Certificate, may, in his own behalf for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company suitable to enforce, or otherwise in respect of, his right to exercise the Warrants evidenced by such Warrant Certificate, for the purchase of shares of the Common Stock in the manner provided in the Warrant Certificate and in this Agreement.

Section 16. AGREEMENT OF HOLDERS OF WARRANT CERTIFICATES

Every holder of a Warrant Certificate by accepting the same consents and agrees with the Company, the Warrant Agent and with every other holder of a Warrant Certificate that:

A. the Warrant Certificates are transferable on the registry books of the Warrant Agent only upon the terms and conditions set forth in this Agreement; and

B. the Company and the Warrant Agent may deem and treat the person in whose name the Warrant Certificate is registered as the absolute owner of the Warrant (notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company or the Warrant Agent) for all purposes whatever and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

Section 17. CANCELLATION OF WARRANT CERTIFICATES

In the event that the Company shall purchase or otherwise acquire any Warrant Certificate or Certificates after the issuance thereof, such Warrant Certificate or Certificates shall thereupon be delivered to the

Warrant Agent and be canceled by it and retired. The Warrant Agent shall also

cancel any Warrant Certificate delivered to it for exercise, in whole or in part, or delivered to it for transfer, split-up, combination or exchange. Warrant Certificates so canceled shall be delivered by the Warrant Agent to the Company from time to time, or disposed of in accordance with the instructions of the Company.

Section 18. CONCERNING THE WARRANT AGENT

The Company agrees to pay to the Warrant Agent from time to time, on demand of the Warrant Agent, reasonable compensation for all services rendered by it hereunder and also its reasonable expenses, including counsel fees, and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Warrant Agent for, and to hold it harmless against, any loss, liability or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Warrant Agent, arising out of or in connection with the acceptance and administration of this Agreement.

Section 19. MERGER OR CONSOLIDATION OR CHANGE OF NAME OF WARRANT AGENT

Any corporation into which the Warrant Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Warrant Agent shall be a party, or any corporation succeeding to the corporate trust business of the Warrant Agent, shall be the successor to the Warrant Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor warrant agent under the provisions of Section 21 hereof. In case at the time such successor to the Warrant Agent shall succeed to the agency created by this Agreement, any of the Warrant Certificates shall have been countersigned but not delivered, any such successor to the Warrant Agent may adopt the countersignature of the original Warrant Agent and deliver such Warrant Certificates so countersigned; and in case at that time any of the Warrant Certificates shall not have been countersigned, any successor to the Warrant Agent may countersign such Warrant Certificates either in the name of the predecessor Warrant Agent or in the name of the successor Warrant Agent; and in all such cases such Warrant Certificates shall have the full force provided in the Warrant Certificates and in this Agreement.

In case at any time the name of the Warrant Agent shall be changed and at such time any of the Warrant Certificates shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignature under its prior name and deliver Warrant Certificates so countersigned; and in case at that time any of the Warrant Certificates shall not have been countersigned, the Warrant Agent may countersign such Warrant Certificates either in its prior name or in its changed name; and in all such cases such Warrant Certificates shall have the full force provided in the Warrant Certificates and in this Agreement.

Section 20. DUTIES OF WARRANT AGENT

The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Warrant Certificates, by their acceptance thereof, shall be bound:

A. The Warrant Agent may consult with counsel satisfactory to it (who may be counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Warrant Agent as to any action taken, suffered or omitted by it in good faith and in accordance with such opinion; PROVIDED, HOWEVER, that the Warrant Agent shall have exercised reasonable care in the selection of such counsel. Fees and expenses of such counsel, to the extent reasonable, shall be paid by the Company.

B. Whenever in the performance of its duties under this Agreement, the Warrant Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a Chairman or co-Chairman of the

Board or the President or a Vice President or the Secretary of the Company and delivered to the Warrant Agent; and such certificate shall be full authorization to the Warrant Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

C. The Warrant Agent shall be liable hereunder only for its own gross negligence, bad faith or willful misconduct.

D. The Warrant Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Warrant Certificates (except its countersignature on the Warrant Certificates and such statements or recitals as describe the Warrant Agent or action taken or to be taken by it) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

E. The Warrant Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Warrant Agent) or in respect of the validity or execution of any Warrant Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Warrant Certificate; nor shall it be responsible for the making of any change in the number of shares of Common Stock for which a Warrant is exercisable required under the provisions of Section 6 or responsible for the manner, method or amount of any such change or the ascertaining of the existence of facts that would require any such adjustment or change (except with respect to the

exercise of Warrant Certificates after actual notice of any adjustment of the Exercise Price); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock to be issued pursuant to this Agreement or any Warrant Certificate or as to whether any shares of Common Stock will, when issued, be validly issued, fully paid and non-assessable.

F. The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or take any other action likely to involve expense unless the Company or one or more registered holders of Warrant Certificates shall furnish the Warrant Agent with reasonable security and indemnity for any costs and expenses which may be incurred. All rights of action under this Agreement or under any of the Warrants may be enforced by the Warrant Agent without the possession of any of the Warrants or the production thereof at any trial or other proceeding relative thereto, and any such action, suit or proceeding instituted by the Warrant Agent shall be brought in its name as Warrant Agent, and any recovery of judgment shall be for the ratable benefit of the registered holders of the Warrant Certificates, as their respective rights or interests may appear.

G. The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

H. The Warrant Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from a Chairman or co-Chairman of the Board or President or a Vice President or the Secretary or the Controller of the Company, and to apply to such officers for advice or instructions in connection with the Warrant Agent's duties, and it shall not be liable for any action taken or suffered or omitted by it in good faith in accordance with instructions of any such officer.

I. The Warrant Agent will not be responsible for any failure of the Company to comply with any of the covenants contained in this Agreement or in the Warrant Certificates to be complied with by the Company.

J. The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys, agents or employees and the Warrant Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys, agents or employees or for any loss to the Company resulting from such neglect or misconduct; PROVIDED, HOWEVER, that reasonable care shall have been exercised in the selection and continued employment of such attorneys, agents and employees.

K. The Warrant Agent will not incur any liability or responsibility to the Company or to any holder of any Warrant Certificate for any action taken, or any failure to take action, in reliance on any notice, resolution, waiver, consent, order, certificate, or other paper, document or instrument reasonably believed by the Warrant Agent to be genuine and to have been signed, sent or presented by the proper party or parties.

L. The Warrant Agent will act hereunder solely as agent of the Company in a ministerial capacity, and its duties will be determined solely by the provisions hereof. The Warrant Agent will not be liable for anything which it may do or refrain from doing in connection with this Agreement except for its own gross negligence, bad faith or willful conduct.

Section 21. CHANGE OF WARRANT AGENT

The Warrant Agent may resign and be discharged from its duties under this Agreement upon 30 days' prior notice in writing mailed, by registered or certified mail, to the Company. The Company may remove the Warrant Agent or any successor warrant agent upon 30 days' prior notice in writing, mailed to the Warrant Agent or successor warrant agent, as the case may be, by registered or certified mail. If the Warrant Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Warrant Agent and shall, within 15 days following such appointment, give notice thereof in writing to each registered holder of the Warrant Certificates. If the Company shall fail to make such appointment within a period of 15 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Warrant Agent, then the Company agrees to perform the duties of the Warrant Agent hereunder until a successor Warrant Agent is appointed. After appointment and execution of a copy of this Agreement in effect at that time, the successor Warrant Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Warrant Agent without further act or deed; but the former Warrant Agent shall deliver and transfer to the successor Warrant Agent, within a reasonable time, any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Failure to give any notice provided for in this Section, however, or any defect therein shall not affect the legality or validity of the resignation or removal of the Warrant Agent or the appointment of the successor warrant agent, as the case may be.

Section 22. ISSUANCE OF NEW WARRANT CERTIFICATES

Notwithstanding any of the provisions of this Agreement or the several Warrant Certificates to the contrary, the Company may, at its option, issue new Warrant Certificates in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Exercise Price or the number or kind of shares purchasable under the several Warrant Certificates made in accordance with the provisions of this Agreement.

Section 23. NOTICES

Notice or demand pursuant to this Agreement to be given or made on the Company by the Warrant Agent or by the registered holder of any Warrant Certificate shall be sufficiently given or made if sent by first-class or registered mail, postage prepaid, addressed (until another address is filed in writing by the Company with the Warrant Agent) as follows:

GMX Resources Inc.
One Benham Place, Suite 600
9400 North Broadway
Oklahoma City, Oklahoma 73114

Subject to the provisions of Section 21, any notice pursuant to this Agreement to be given or made by the Company or by the holder of any Warrant Certificate to or on the Warrant Agent shall be sufficiently given or made if sent by first-class or registered mail, postage prepaid, addressed (until another address is filed in

writing by the Warrant Agent with the Company) as follows:

UMB Bank, n.a.
Securities Transfer Division
P. O. Box 410064
Kansas City, MO 64141

Any notice or demand authorized to be given or made to the registered holder of any Warrant Certificate under this Agreement shall be sufficiently given or made if sent by first-class or registered mail, postage prepaid, to the last address of such holder as it shall appear on the registers maintained by the Warrant Agent.

Section 24. MODIFICATION OF AGREEMENT

The Warrant Agent may, without the consent or concurrence of the Warrantholders, by supplemental agreement or otherwise, concur with the Company in making any changes or corrections in this Agreement that the Warrant Agent shall have been advised by counsel (who may be counsel for the Company) are necessary or desirable to cure any ambiguity or to correct any defective or inconsistent provision or clerical omission or mistake or manifest error herein contained, or to make any other provisions in regard to matters or questions arising hereunder and which shall not be inconsistent with the provisions of the Warrant Certificates and which shall not adversely affect the interests of the Warrantholders. As of the date hereof, this Agreement contains the entire and only agreement, understanding, representation, condition, warranty or covenant between the parties hereto with respect to the matters herein, supersedes any and all other agreements between the parties hereto relating to such matters, and may be modified or

amended only by a written agreement signed by both parties hereto pursuant to the authority granted by the first sentence of this Section.

Section 25. SUCCESSORS

All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 26. OKLAHOMA CONTRACT

This Agreement and each Warrant Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Oklahoma and for all purposes shall be construed in accordance with the laws of said State.

Section 27. TERMINATION

This Agreement shall terminate as of the close of business on the Expiration Date, or such earlier date upon which all Warrants shall have been exercised or redeemed, except that the Warrant Agent shall account to the Company as to all Warrants outstanding and all cash held by it as of the close of business on the Expiration Date.

Section 28. BENEFITS OF THIS AGREEMENT

Nothing in this Agreement or in the Warrant Certificates shall be construed to give to any person or corporation other than the Company, the Warrant Agent, and their respective successors and assigns hereunder and the registered holders of the Warrant Certificates any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent, their respective successors and assigns hereunder and the registered holders of the Warrant Certificates.

Section 29. DESCRIPTIVE HEADINGS

The descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 30. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this

Agreement to be duly executed, all as of the day and year first above written.

GMX RESOURCES INC.

By:

Title:

UMB Bank, n.a.

By:

Title:

EXHIBIT A

VOID AFTER 5 P.M. PACIFIC TIME ON _____, 2006

WARRANTS TO PURCHASE COMMON STOCK

WA_____ _____ Class A Warrants

GMX RESOURCES INC.

CUSIP 38011M 11 6

THIS CERTIFIES THAT

or registered assigns, is the registered holder of the number of Class A Warrants ("Class A Warrants") set forth above. Each Class A Warrant entitles the holder thereof to purchase from GMX RESOURCES INC., a corporation incorporated under the laws of the State of Oklahoma ("Company"), subject to the terms and conditions set forth hereinafter and in the Warrant Agreement hereinafter more fully described (the "Warrant Agreement") referred to, at any time on or before close of business on _____ __, 2006 (the

"Expiration Date"), one fully paid and non-assessable share of Common Stock Stock of the Company ("Common Stock") and one Class B Warrant upon presentation and surrender of this Warrant Certificate, with the instructions for the registration and delivery of Common Stock filled in, at the stock transfer office in Kansas City, Missouri, of UMB Bank, n.a., Warrant Agent of the Company ("Warrant Agent") or of its successor warrant agent or, if there be no successor warrant agent, at the corporate offices of the Company, and upon payment of the Exercise Price (as defined in the Warrant Agreement) and any applicable taxes paid either in cash, or by certified or official bank check, payable in lawful money of the United States of America to the order of the Company. Each Class A Warrant initially entitles the holder to purchase one share of Common Stock for $____ and, at any time after _____, 2002 and prior to the Expiration Date, for $_____. The number and kind of securities or other property for which the Class A Warrants are exercisable are subject to further adjustment in certain events, such as mergers, splits, stock dividends, recapitalizations and the like, to prevent dilution. All Class A Warrants not theretofore exercised or redeemed will expire on the Expiration Date.

This Warrant Certificate is subject to all of the terms, provisions and conditions of the Warrant Agreement, dated as of _____, 2001 ("Warrant Agreement"), between the Company and the Warrant Agent, to all of which terms, provisions and conditions the registered holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is incorporated herein by reference and made a part hereof and reference is made to the Warrant Agreement for a full description of the rights, limitations of rights, obligations, duties and immunities of the Warrant Agent, the Company and the holders of the Warrant Certificates. Copies of the Warrant Agreement are available for inspection at the stock transfer office of the Warrant Agent or may be obtained upon written request addressed to the Company at GMX RESOURCES INC., One Benham Place, Suite 600, 9400 North Broadway, Oklahoma City, Oklahoma 73114, Attention: Chief Financial Officer.

The Company shall not be required upon the exercise of the Class A Warrants evidenced by this Warrant Certificate to issue fractions of Class A Warrants, Common Stock or other securities, but shall make adjustment therefor in cash on the basis of the current market value of any fractional interest as provided in the Warrant Agreement.

In certain cases, the sale of securities by the Company upon exercise of Class A Warrants would violate the securities laws of the United States, certain states thereof or other jurisdictions. The Company has agreed to use all commercially reasonable efforts to cause a registration statement to continue to be effective during the term of the Class A Warrants with respect to such sales under the Securities Act of 1933, and to take such action under the laws of various states as may be required to cause the sale of securities upon exercise to be lawful. However, the Company will not be required to honor the exercise of Class A Warrants if, in the opinion of the

Board of Directors, upon advice of counsel, the sale of securities upon such exercise would be unlawful. In certain cases, the Company may, but is not required to, purchase Class A Warrants submitted for exercise for a cash price equal to the difference between the market price of the securities obtainable upon such exercise and the exercise price of such Class A Warrants.

This Warrant Certificate, with or without other Certificates, upon surrender to the Warrant Agent, any successor warrant agent or, in the absence of any successor warrant agent, at the corporate offices of the Company, may be exchanged for another Warrant Certificate or Certificates evidencing in the aggregate the same number of Class A Warrants as the Warrant Certificate or Certificates so surrendered. If the Class A Warrants evidenced by this Warrant Certificate shall be exercised in part, the holder hereof shall be entitled to receive upon surrender hereof another Warrant Certificate or Certificates evidencing the number of Class A Warrants not so exercised.

No holder of this Warrant Certificate, as such, shall be entitled to vote, receive dividends or be deemed the holder of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose whatever, nor shall anything contained in the Warrant Agreement or herein be construed to confer upon the holder of this Warrant Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof or give or withhold consent to any corporate action (whether upon any matter submitted to stockholders at any meeting thereof, or give or withhold consent to any merger, recapitalization, issuance of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, conveyance or otherwise) or to receive notice of meetings or other actions affecting stockholders (except as provided in the Warrant Agreement) or to receive dividends or subscription rights or otherwise until the Class A Warrants evidenced by this Warrant Certificate shall have been exercised and the Common Stock purchasable upon the exercise thereof shall have become deliverable as provided in the Warrant Agreement.

If this Warrant Certificate shall be surrendered for exercise within any period during which the transfer books for the Company's Common Stock or other class of stock purchasable upon the exercise of the Class A Warrants evidenced by this Warrant Certificate are closed for any purpose, the Company shall not be required to make delivery of certificates for shares purchasable upon such transfer until the date of the reopening of said transfer books.

Every holder of this Warrant Certificate by accepting the same consents and agrees with the Company, the Warrant Agent, and with every other holder of a Warrant Certificate that:

(a) this Warrant Certificate is transferable on the registry books of the Warrant Agent only upon the terms and conditions set forth in the Warrant Agreement, and

(b) the Company and the Warrant Agent may deem and treat the person in whose name this Warrant Certificate is registered as the absolute owner hereof (notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company or the Warrant Agent) for all purposes whatever and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

The Company shall not be required to issue or deliver any certificate for shares of Common Stock or other securities upon the exercise of Class A Warrants evidenced by this Warrant Certificate until any tax which may be payable in respect thereof by the holder of this Warrant Certificate pursuant to the Warrant Agreement shall have been paid, such tax being payable by the holder of this Warrant Certificate at the time of surrender.

This Warrant Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Warrant Agent.

WITNESS the facsimile signatures of the proper officers of the Company and its corporate seal.

Dated:

GMX RESOURCES INC.

By:

Chief Executive Officer

Attest:

Secretary

Countersigned

By:

Authorized Officer

EXHIBIT B

VOID AFTER 5 P.M. PACIFIC TIME ON _____, 2006

WARRANTS TO PURCHASE COMMON STOCK

WB_____ _____ Class B Warrants

GMX RESOURCES INC.

CUSIP _____

THIS CERTIFIES THAT

or registered assigns, is the registered holder of the number of Class B Warrants ("Class B Warrants") set forth above. Each Class B Warrant entitles the holder thereof to purchase from GMX RESOURCES INC., a corporation incorporated under the laws of the State of Oklahoma ("Company"), subject to the terms and conditions set forth hereinafter and in the Warrant Agreement hereinafter more fully described (the "Warrant Agreement") referred to, at any time on or before close of business on _____ __, 2006 (the "Expiration Date"), one fully paid and non-assessable share of Common Stock Stock of the Company ("Common Stock") upon presentation and surrender of this Warrant Certificate, with the instructions for the registration and delivery of Common Stock filled in, at the stock transfer office in Kansas City, Missouri, of UMB Bank, n.a., Warrant Agent of the Company ("Warrant Agent") or of its successor warrant agent or, if there be no successor warrant agent, at the corporate offices of the Company, and upon payment of the Exercise Price (as defined in the Warrant Agreement) and any applicable taxes paid either in cash, or by certified or official bank check, payable in lawful money of the United States of America to the order of the Company. Each Class B Warrant initially entitles the holder to purchase one share of Common Stock for $____. The number and kind of securities or other property for which the Class B Warrants are exercisable are subject to further adjustment in certain events, such as mergers, splits, stock dividends, recapitalizations and the like, to prevent dilution. All Class B Warrants not theretofore exercised or redeemed will expire on the Expiration Date.

This Warrant Certificate is subject to all of the terms, provisions and conditions of the Warrant Agreement, dated as of _____, 2001 ("Warrant Agreement"), between the Company and the Warrant Agent, to all of which terms, provisions and conditions the registered holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is incorporated herein by reference and made a part hereof and reference is made to the Warrant Agreement for a full description of the rights, limitations of rights, obligations, duties and immunities of the Warrant Agent, the Company and the holders of the Warrant Certificates. Copies of the Warrant Agreement are available for inspection at the stock transfer office of the Warrant Agent or may be obtained upon written request addressed to the Company at GMX RESOURCES INC., One Benham Place, Suite 600, 9400 North Broadway, Oklahoma

City, Oklahoma 73114, Attention: Chief Financial Officer.

The Company shall not be required upon the exercise of the Class B Warrants evidenced by this Warrant Certificate to issue fractions of Class B Warrants, Common Stock or other securities, but shall make adjustment therefor in cash on the basis of the current market value of any fractional interest as provided in the Warrant Agreement.

In certain cases, the sale of securities by the Company upon exercise of Class B Warrants would violate the securities laws of the United States, certain states thereof or other jurisdictions. The Company has agreed to use

all commercially reasonable efforts to cause a registration statement to continue to be effective during the term of the Class B Warrants with respect to such sales under the Securities Act of 1933, and to take such action under the laws of various states as may be required to cause the sale of securities upon exercise to be lawful. However, the Company will not be required to honor the exercise of Class B Warrants if, in the opinion of the Board of Directors, upon advice of counsel, the sale of securities upon such exercise would be unlawful. In certain cases, the Company may, but is not required to, purchase Class B Warrants submitted for exercise for a cash price equal to the difference between the market price of the securities obtainable upon such exercise and the exercise price of such Class B Warrants.

This Warrant Certificate, with or without other Certificates, upon surrender to the Warrant Agent, any successor warrant agent or, in the absence of any successor warrant agent, at the corporate offices of the Company, may be exchanged for another Warrant Certificate or Certificates evidencing in the aggregate the same number of Class B Warrants as the Warrant Certificate or Certificates so surrendered. If the Class B Warrants evidenced by this Warrant Certificate shall be exercised in part, the holder hereof shall be entitled to receive upon surrender hereof another Warrant Certificate or Certificates evidencing the number of Class B Warrants not so exercised.

No holder of this Warrant Certificate, as such, shall be entitled to vote, receive dividends or be deemed the holder of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose whatever, nor shall anything contained in the Warrant Agreement or herein be construed to confer upon the holder of this Warrant Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof or give or withhold consent to any corporate action (whether upon any matter submitted to stockholders at any meeting thereof, or give or withhold consent to any merger, recapitalization, issuance of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, conveyance or

otherwise) or to receive notice of meetings or other actions affecting stockholders (except as provided in the Warrant Agreement) or to receive dividends or subscription rights or otherwise until the Class B Warrants evidenced by this Warrant Certificate shall have been exercised and the Common Stock purchasable upon the exercise thereof shall have become deliverable as provided in the Warrant Agreement.

If this Warrant Certificate shall be surrendered for exercise within any period during which the transfer books for the Company's Common Stock or other class of stock purchasable upon the exercise of the Class B Warrants evidenced by this Warrant Certificate are closed for any purpose, the Company shall not be required to make delivery of certificates for shares purchasable upon such transfer until the date of the reopening of said transfer books.

Every holder of this Warrant Certificate by accepting the same consents and agrees with the Company, the Warrant Agent, and with every other holder of a Warrant Certificate that:

(a) this Warrant Certificate is transferable on the registry books of the Warrant Agent only upon the terms and conditions set forth in the Warrant Agreement, and

(b) the Company and the Warrant Agent may deem and treat the person in whose name this Warrant Certificate is registered as the absolute owner hereof (notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company or the Warrant Agent) for all purposes whatever and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

The Company shall not be required to issue or deliver any certificate for shares of Common Stock or other securities upon the exercise of Class B Warrants evidenced by this Warrant Certificate until any tax which may be payable in respect thereof by the holder of this Warrant Certificate pursuant to the Warrant Agreement shall have been paid, such tax being payable by the holder of this Warrant Certificate at the time of surrender.

This Warrant Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Warrant Agent.

WITNESS the facsimile signatures of the proper officers of the Company and its corporate seal.

Dated:

GMX RESOURCES INC.

By:

Chief Executive Officer

Attest:

Secretary

Countersigned

By:

Authorized Officer

EXHIBIT 4.2

THIS WARRANT HAS NOT BEEN REGISTERED
UNDER THE SECURITIES ACT OF 1933
AND IS NOT TRANSFERABLE
EXCEPT AS PROVIDED HEREIN

GMX RESOURCES, INC.

PURCHASE WARRANT

Issued to:

PAULSON INVESTMENT COMPANY, INC.

Exercisable to Purchase

125,000 Units

of

GMX RESOURCES, INC.

Void after _____, 2006

This is to certify that, for value received and subject to the terms and conditions set forth below, the Warrantholder (hereinafter defined) is entitled to purchase, and the Company promises and agrees to sell and issue to the Warrantholder, at any time on or after _____, 2001 and on or before _____, 2006, up to 125,000 Units (hereinafter defined) at the Exercise Price (hereinafter defined).

This Warrant Certificate is issued subject to the following terms and conditions:

1. DEFINITIONS OF CERTAIN TERMS. Except as may be otherwise clearly required by the context, the following terms have the following meanings:

(a) "Act" means the Securities Act of 1933, as amended.

(b) "Cashless Exercise" means an exercise of Warrants in which, in lieu of payment of the Exercise Price, the Holder elects to receive a lesser number of Securities such that the value of the Securities that such Holder would otherwise have been entitled to receive but has agreed not to receive, as determined by the closing price of such Securities on the date of exercise or, if such date is not a trading day, on the next prior trading day, is equal to the Exercise Price with respect to such exercise. A Holder may only elect a Cashless Exercise if the Securities issuable by the Company on such exercise are publicly traded securities.

(c) "Closing Date" means the date on which the Offering is closed.

(d) "Commission" means the Securities and Exchange Commission.

(e) "Common Stock" means the common stock, $0.001 par value, of the Company.

(f) "Company" means GMX RESOURCES, INC., an Oklahoma corporation.

(g) "Company's Expenses" means any and all expenses payable by the Company or the Warrantholder in connection with an offering described in Section 6 hereof, except Warrantholder's Expenses.

(h) "Effective Date" means the date on which the Registration Statement is declared effective by the Commission.

(i) "Exercise Price" means the price at which the Warrantholder may purchase one Unit upon exercise of Warrants as determined from time to time pursuant to the provisions hereof. The initial Exercise Price is $____ per Unit.

(j) "Offering" means the public offering of Units made pursuant to the Registration Statement.

(k) "Participating Underwriter" means any underwriter participating in the sale of the Securities pursuant to a registration under Section 6 of this Warrant Certificate.

(l) "Registration Statement" means the Company's registration statement (File No. 333-49328) as amended on the Closing Date.

(m) "Rules and Regulations" means the rules and regulations of the Commission adopted under the Act.

(n) "Securities" means the securities obtained or obtainable upon exercise of the Warrant or securities obtained or obtainable upon exercise, exchange, or conversion of such securities.

(o) "Stock Derivative Securities" means the Common Stock included in the Units issuable on exercise of Warrants or any Securities issuable in lieu of such Common Stock pursuant to the provisions of Section 3.

(p) "Unit" means one share of Common Stock and one Class A Warrant. The Class A Warrant is exercisable to purchase one share of Common Stock and one Class B Warrant, all as more fully described in the Warrant Agreement.

(q) "Warrant Agreement" means that certain Warrant Agreement, dated as of _____, 2001, by and between the Company and UMB Bank, n.a.

(r) "Warrant Certificate" means a certificate evidencing the Warrant.

(s) "Warrantholder" means a record holder of the Warrant or Securities. The initial Warrantholder is Paulson Investment Company, Inc.

(t) "Warrantholder's Expenses" means the sum of (i) the aggregate amount of cash payments made to an underwriter, underwriting syndicate, or agent in connection with an offering described in Section 6 hereof multiplied by a fraction the numerator of which is the aggregate sales price of the Securities sold by such underwriter, underwriting syndicate, or agent in such offering and the denominator of which is the aggregate sales price of all of the securities sold by such underwriter, underwriting syndicate, or agent in such offering and (ii) all out-of-pocket expenses of the Warrantholder, except for the fees and disbursements of one firm retained as legal counsel for the Warrantholder that will be paid by the Company.

(u) "Warrant" means the warrant evidenced by this certificate, any similar certificate issued in connection with the Offering, or any certificate obtained upon transfer or partial exercise of the Warrant evidenced by any such certificate.

2. EXERCISE OF WARRANTS. All or any part of the Warrant may be exercised commencing on the first anniversary of the Effective Date and ending at 5 p.m.

Pacific Time on the fifth anniversary of the Effective Date by surrendering

this Warrant Certificate, together with appropriate instructions, duly executed by the Warrantholder or by its duly authorized attorney, at the office of the Company, One Benham Place, Suite 600, 9400 North Broadway, Oklahoma City, Oklahoma 73114, or at such other office or agency as the Company may designate. The date on which such instructions are received by the Company shall be the date of exercise. If the Holder has elected a Cashless Exercise, such instructions shall so state. Upon receipt of notice of exercise, the Company shall immediately instruct its transfer agent to prepare certificates for the Securities to be received by the Warrantholder upon completion of the Warrant exercise. When such certificates are prepared, the Company shall notify the Warrantholder and deliver such certificates to the Warrantholder or as per the Warrantholder's instructions immediately upon payment in full by the Warrantholder, in lawful money of the United States, of the Exercise Price payable with respect to the Securities being purchased, if any. If the Warrantholder shall represent and warrant that all applicable registration and prospectus delivery requirements for their sale have been complied with upon sale of the Securities received upon exercise of the Warrant, such certificates shall not bear a legend with respect to the Securities Act of 1933.

If fewer than all the Securities purchasable under the Warrant are purchased, the Company will, upon such partial exercise, execute and deliver to the Warrantholder a new Warrant Certificate (dated the date hereof), in form and tenor similar to this Warrant Certificate, evidencing that portion of the Warrant not exercised. The Securities to be obtained on exercise of the Warrant will be deemed to have been issued, and any person exercising the Warrants will be deemed to have become a holder of record of those Securities, as of the date of the payment of the Exercise Price.

3. ADJUSTMENTS IN CERTAIN EVENTS. The number, class, and price of the Stock Derivative Securities are subject to adjustment from time to time upon the happening of certain events as follows:

(a) If the outstanding shares of the Company's Common Stock are divided into a greater number of shares or a dividend in stock is paid on the Common Stock, the number of shares of Common Stock for which the Warrant is then partially exercisable will be proportionately increased and the Exercise Price will be proportionately reduced; and, conversely, if the outstanding shares of Common Stock are combined into a smaller number of shares of Common Stock, the number of shares of Common Stock for which the Warrant is then exercisable will be proportionately reduced and the Exercise Price will be proportionately increased. The increases and reductions provided for in this subsection 3(a) will be made with the intent and, as nearly as practicable, the effect that neither the percentage of the total equity of the Company obtainable on exercise of the Warrants nor the price payable for such percentage upon such exercise will be affected by any event described in this subsection 3(a).

(b) In case of any change in the Common Stock through merger, consolidation, reclassification, reorganization, partial or complete liquidation, purchase of substantially

all the assets of the Company, or other change in the capital structure of the Company, then, as a condition of such change, lawful and adequate provision will be made so that the holder of this Warrant Certificate will have the right thereafter to receive upon the exercise of the Warrant the kind and amount of shares of stock or other securities or property to which he would have been entitled if, immediately prior to such event, he had held the number of shares of Common Stock obtainable upon the exercise of the Warrant. In any such case, appropriate adjustment will be made in the application of the provisions set forth herein with respect to the rights and interest thereafter of the Warrantholder, to the end that the provisions set forth herein will thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the exercise of the Warrant. The Company will not permit any change in its capital structure to occur unless the issuer of the shares of stock or other securities to be received by the holder of this Warrant Certificate, if not the Company, agrees to be bound by and comply with the provisions of this Warrant Certificate.

(c) When any adjustment is required to be made in the number of shares of Common Stock, other securities, or the property purchasable upon exercise of the Warrant, the Company will promptly determine the new number of such shares or other securities or property purchasable upon exercise of the Warrant and (i) prepare and retain on file a statement describing in reasonable detail the method used in arriving at the new number of such shares or other securities or property purchasable upon exercise of the Warrant and (ii) cause a copy of such statement to be mailed to the Warrantholder within thirty (30) days after the date of the event giving rise to the adjustment.

(d) No fractional shares of Common Stock or other securities will be issued in connection with the exercise of the Warrant, but the Company will pay, in lieu of fractional shares, a cash payment therefor on the basis of the mean between the bid and asked prices of the Common Stock in the over-the-counter market or the closing price on a national securities exchange on the day immediately prior to exercise.

(e) If securities of the Company or securities of any subsidiary of the Company are distributed pro rata to holders of Common Stock, such number of securities will be distributed to the Warrantholder or his assignee upon exercise of his rights hereunder as such Warrantholder or assignee would have been entitled to if this Warrant Certificate had been exercised prior to the record date for such distribution. The provisions with respect to adjustment of the Common Stock provided in this Section 3 will also apply to the securities to which the Warrantholder or his assignee is entitled under this subsection 3(e).

(f) Notwithstanding anything herein to the contrary, there will be no adjustment made hereunder on account of the sale of the Common Stock or other Securities purchasable upon exercise of the Warrant.

4. RESERVATION OF SECURITIES. The Company agrees that the number of shares of Common Stock or other Securities sufficient to provide for the exercise of the Warrant

upon the basis set forth above will at all times during the term of the Warrant be reserved for exercise.

5. VALIDITY OF SECURITIES. All Securities delivered upon the exercise of the Warrant will be duly and validly issued in accordance with their terms, and the Company will pay all documentary and transfer taxes, if any, in respect of the original issuance thereof upon exercise of the Warrant.

6. REGISTRATION OF SECURITIES ISSUABLE ON EXERCISE OF WARRANT CERTIFICATE.

(a) The Company will register the Securities with the Commission pursuant to the Act so as to allow the unrestricted sale of the Securities to the public from time to time commencing on the first anniversary of the Effective Date and ending at 5:00 p.m. Pacific Time on the fifth anniversary of the Effective Date (the "Registration Period"). The Company will also file such applications and other documents necessary to permit the sale of the Securities to the public during the Registration Period in those states in which the Units were qualified for sale in the Offering or such other states as the Company and the Warrantholder agree to. In order to comply with the provisions of this Section 6(a), the Company is not required to file more than one registration statement. No registration right of any kind, "piggyback" or otherwise, will last longer than five years from the Effective Date.

(b) The Company will pay all of the Company's Expenses and each Warrantholder will pay its pro rata share of the Warrantholder's Expenses relating to the registration, offer, and sale of the Securities.

(c) Except as specifically provided herein, the manner and conduct of the registration, including the contents of the registration, will be entirely in the control and at the discretion of the Company. The Company will file such post-effective amendments and supplements as may be necessary to maintain the currency of the registration statement during the period of its use. In addition, if the Warrantholder participating in the registration is advised by counsel that the registration statement, in their opinion, is deficient in any material respect, the Company will use its best efforts to

cause the registration statement to be amended to eliminate the concerns raised.

(d) The Company will furnish to the Warrantholder the number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as it may reasonably request in order to facilitate the disposition of Securities owned by it.

(e) The Company will, at the request of Warrantholders holding at least 50 percent of the then outstanding Warrants, (i) furnish an opinion of the counsel representing the Company for the purposes of the registration pursuant to this Section 6, addressed to the Warrantholders and any Participating Underwriter, (ii) furnish an appropriate letter from the independent public accountants of the Company, addressed to

the Warrantholders and any Participating Underwriter, and (iii) make representations and warranties to the Warrantholders and any Participating Underwriter. A request pursuant to this subsection (e) may be made on three occasions. The documents required to be delivered pursuant to this subsection (e) will be dated within ten days of the request and will be, in form and substance, equivalent to similar documents furnished to the underwriters in connection with the Offering, with such changes as may be appropriate in light of changed circumstances.

7. INDEMNIFICATION IN CONNECTION WITH REGISTRATION.

(a) If any of the Securities are registered, the Company will indemnify and hold harmless each selling Warrantholder, any person who controls any selling Warrantholder within the meaning of the Act, and any Participating Underwriter against any losses, claims, damages, or liabilities, joint or several, to which any Warrantholder, controlling person, or Participating Underwriter may be subject under the Act or otherwise; and it will reimburse each Warrantholder, each controlling person, and each Participating Underwriter for any legal or other expenses reasonably incurred by the Warrantholder, controlling person, or Participating Underwriter in connection with investigating or defending any such loss, claim, damage, liability, or action, insofar as such losses, claims, damages, or liabilities, joint or several (or actions in respect thereof), arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained, on the effective date thereof, in any such registration statement or any preliminary prospectus or final prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; PROVIDED, HOWEVER, that the Company will not be liable in any case to the

extent that any loss, claim, damage, or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any registration statement, preliminary prospectus, final prospectus, or any amendment or supplement thereto, in reliance upon and in conformity with written information furnished by a Warrantholder for use in the preparation thereof. The indemnity agreement contained in this subparagraph (a) will not apply to amounts paid to any claimant in settlement of any suit or claim unless such payment is first approved by the Company, such approval not to be unreasonably withheld.

(b) Each selling Warrantholder, as a condition of the Company's registration obligation, will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed any registration statement or other filing or any amendment or supplement thereto, and any person who controls the Company within the meaning of the Act, against any losses, claims, damages, or liabilities to which the Company or any such director, officer, or controlling person may become subject under the Act or otherwise, and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, or controlling person in connection with investigating or defending any such loss, claim, damage, liability, or action, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or

are based upon any untrue or alleged untrue statement of any material fact contained in said registration statement, any preliminary or final prospectus, or other filing, or any amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in said registration statement, preliminary or final prospectus, or other filing, or amendment or supplement, in reliance upon and in conformity with written information furnished by such Warrantholder for use in the preparation thereof; PROVIDED, HOWEVER, that the indemnity agreement contained in this subparagraph (b) will not apply to amounts paid to any claimant in settlement of any suit or claim unless such payment is first approved by the Warrantholder, such approval not to be unreasonably withheld.

(c) Promptly after receipt by an indemnified party under subparagraphs (a) or (b) above of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, notify the indemnifying party of the commencement thereof; but the omission to notify the indemnifying party will not relieve it from any liability that it may have to any indemnified party otherwise than under subparagraphs (a) and (b).

(d) If any such action is brought against any indemnified party and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party; and after notice from the indemnifying party to such indemnified party of its election to assume the defense thereof, the indemnifying party will not be liable to such indemnified party for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation.

8. RESTRICTIONS ON TRANSFER. This Warrant Certificate and the Warrant may not be sold, transferred, assigned or hypothecated for a one-year period after the Effective Date except to underwriters of the Offering or to individuals who are either a partner or an officer of such an underwriter or by will or by operation of law. The Warrant may be divided or combined, upon request to the Company by the Warrantholder, into a certificate or certificates evidencing the same aggregate number of Warrants.

9. NO RIGHTS AS A SHAREHOLDER. Except as otherwise provided herein, the Warrantholder will not, by virtue of ownership of the Warrant, be entitled to any rights of a shareholder of the Company but will, upon written request to the Company, be entitled to receive such quarterly or annual reports as the Company distributes to its shareholders.

10. NOTICE. Any notices required or permitted to be given hereunder will be in writing and may be served personally or by mail; and if served will be addressed as follows:

If to the Company:

GMX Resources Inc.
One Benham Place, Suite 600
9400 North Broadway
Oklahoma City, Oklahoma 73114
Attn: Treasurer

If to the Warrantholder:

at the address furnished
by the Warrantholder to the
Company for the purpose of
notice.

Any notice so given by mail will be deemed effectively given 48

hours after mailing when deposited in the United States mail, registered or certified mail, return receipt requested, postage prepaid and addressed as specified above. Any party may by written notice to the other specify a different address for notice purposes.

11. APPLICABLE LAW. This Warrant Certificate will be governed by and construed in accordance with the laws of the State of Oregon, without reference to conflict of laws principles thereunder. All disputes relating to this Warrant Certificate shall be tried before the courts of Oregon located in Multnomah County, Oregon to the exclusion of all other courts that might have jurisdiction.

Dated as of _____, 2001

GMX RESOURCES, INC.

By:

President

Agreed and Accepted as of _____, 2001

PAULSON INVESTMENT COMPANY, INC.

By:

Lorraine Maxfield, Senior Vice President - Research

EXHIBIT 5.1

[Letterhead of Crowe & Dunlevy]

MICHAEL M. STEWART
DIRECT LINE (405) 235-7747
DIRECT FAX (405) 272-5238

AT&T MAIL crowedun!stewartm
INTERNET stewartm@crowedunlevy.com
X.400 /C=us/A=attmail/O=attmail/DDA.ID
=crowedun!stewartm

February 1, 2001

GMX RESOURCES INC.
One Benham Place
9400 N. Broadway, Suite 600
Oklahoma City, OK 73114

Gentlemen:

We have acted as counsel to GMX RESOURCES INC. ("Company") in connection with the registration under the Securities Act of 1933 as amended ("Act") of up to 1,437,500 Units consisting of one share of common stock and one Class A Warrant ("Class A Warrant"), each Class A Warrant exercisable to purchase one share of Common Stock and one Class B Warrant ("Units") and 125,000 Underwriters' warrants to acquire Units ("Underwriters' Warrants") on Form SB-2 ("Registration Statement"). The Units and the Underwriters' Warrants are referred to herein as the "Securities".

A Registration Statement under the Act with respect to the Securities is being filed with the Securities and Exchange Commission on or about February 1, 2001.

We have examined and are familiar with originals or copies, the authenticity of which has been established to our satisfaction, of all such documents, corporate records and other instruments as we have deemed necessary to express the opinion hereinafter set forth. Based on the foregoing, it is our opinion that (i) the authorized but unissued shares of Common Stock included in the Securities to be issued in the manner described in the Registration Statement upon issuance thereof in exchange for the consideration described in the Registration Statement will be validly issued, fully paid and non-assessable; and (ii) the Warrants and the Underwriters' Warrants upon issuance in the manner described in the Registration Statement will be valid and binding obligations of the Company.

We consent to the use of this opinion as an exhibit to the above mentioned Registration Statement and for the use of our name in such Registration Statement and the Prospectus included therein under the heading "Legal Matters".

Respectfully submitted,

CROWE & DUNLEVY,
A Professional Corporation

By:

Michael M. Stewart

EXHIBIT 10.2

STOCK OPTION PLAN

OF

GMX RESOURCES INC

(EFFECTIVE JANUARY 1, 2001)

1. PURPOSE OF THE PLAN

This Stock Option Plan (the "Plan") is intended as an incentive to managerial and other key employees of GMX RESOURCES INC. (the "Company"), and its subsidiaries. Its purposes are to retain employees with a high degree of training, experience, and ability, to attract new employees whose services are considered unusually valuable, to encourage the sense of proprietorship of such persons, and to stimulate the active interest of such persons in the development and financial success of the Company. Options granted under the Plan may be either "incentive stock options" as provided by Section 422 of the Internal Revenue Code of 1986, as amended, and as may be further amended from time to time (the "Internal Revenue Code" or "Code") or options which do not qualify as incentive stock options.

2. ADMINISTRATION OF THE PLAN

(a) ADMINISTRATION. The Plan shall be administered by the Board of Directors of the Company, or if the Board so authorizes, by a committee (the "Committee") of the Board of Directors consisting of not less than two (2) members of the Board of Directors. Unless the context otherwise requires, references herein to the Committee shall be references to the Board of Directors or the Committee. Members of the Committee shall serve at the pleasure of the Board, and the Board may from time to time remove members from, or add members to, the Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of business. Action approved in writing by a majority of the members of the Committee then serving shall be fully effective as if the action had been taken by unanimous vote at a meeting duly called and held.

(b) AUTHORITY. The Committee is authorized to construe and interpret the Plan, to promulgate, amend and rescind rules and regulations relating to the implementation of the Plan and to make all other determinations necessary or advisable for the administration of the Plan. The Committee may designate persons other than members of the Committee to carry out its responsibilities under such conditions and limitations as it may prescribe, except that the Committee may not delegate its authority with regard to selection for participation of, and the granting of options to, persons subject to Sections

16(a) and 16(b) of the Exchange Act. Any determination, decision or action of the Committee in connection with the construction, interpretation, administration, or application of the Plan shall be final, conclusive and binding upon all persons participating in the Plan and any person validly claiming under or through persons participating in the Plan. The Company shall effect the granting of options under the Plan in accordance with the determinations made by the Committee, by execution of instruments in writing in such form as approved by the Committee.

3. DESIGNATION OF PARTICIPANTS

Persons eligible for options under the Plan shall consist of managerial and other key employees of the Company and/or its subsidiaries who hold positions of significant responsibilities or whose performance or potential contribution, in the sole judgment of the Committee, will benefit the future success of the Company. In addition, all Non-employee Directors of the Company shall be eligible for options under the plan in accordance solely with the provisions of Section 7 hereof.

4. SHARES SUBJECT TO THE PLAN

Subject to adjustment as provided in Paragraph 9 hereof, there shall be subject to the Plan five hundred fifty thousand (550,000) shares of common stock subject of the Company, par value $0.01 per share. The shares subject to the Plan shall consist of authorized but unissued shares or treasury shares held by the Company. Any of such shares that may remain unsold and that are not subject to outstanding options at the termination of the Plan shall cease to be subject to the Plan, but until termination of the Plan, the Company shall at all times make available a sufficient number of shares to meet the requirements of the Plan. Should any option expire or be canceled prior to its exercise in full, or a portion of an option is surrendered in payment for the exercise of an option or satisfaction of any tax withholding obligations, the shares theretofore subject to such options may again be subjected to an option under the Plan. Any shares not subject to outstanding options at the expiration of the Plan or at any time during the life of the Plan may be dedicated to other plans that the Company may adopt and to the extent so dedicated, such shares shall not be subject to this Plan.

5. OPTION PRICE

(a) PRICE. The purchase price for each share placed under option pursuant to the Plan shall be determined by the Committee, but shall in no event be less than 100% of the Fair Market Value (as defined below) of such share on the date the option is granted.

(b) FAIR MARKET VALUE. "Fair Market Value" means the average of the high and low sales prices of the shares of Common Stock on any national securities exchange on which the shares are listed on the day on which such value is to be determined or, if no shares were traded on such day, on the

next preceding day on which shares were traded, as reported by such exchange, by National Quotation Bureau, Inc. or other national quotation service. If the Common Stock is not listed on a national securities exchange, Fair Market Value means the average of the closing "bid" and "asked" prices of the shares of Common Stock in the over-the-counter market on the date on which such value is to be determined or, if such prices are not available, the last sales price on such day or, if no shares were traded on such day, on the next preceding day on which the shares were traded, as reported by the National Association of Securities Dealers Automatic Quotation System (NASDAQ) or other national quotation service. If at any time shares of Common Stock are not traded on an exchange or in the over-the-counter market, Fair Market Value shall be the value determined by the Committee, taking into consideration those factors affecting or reflecting value that they deem appropriate. For

purposes of determining the purchase price of an incentive stock option, Fair Market Value shall in any event be determined in accordance with Section 422 of the Code.

6. TERMS AND EXERCISE OF OPTIONS

(a) GENERAL. The Committee, in granting options hereunder, shall have discretion to determine the times when, and the terms upon which, options shall be exercisable, including such provisions as deemed advisable to permit qualification as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code, as the same may from time to time be amended for options intended to qualify as such, and incentive stock options outstanding under the Plan may be amended, if necessary, to permit such qualification. The Committee shall designate at the time of granting of any option whether such option or any portion thereof shall be an "incentive stock option." Each option shall be evidenced by an agreement between the Company and the optionee containing provisions consistent with this Plan and such other provisions as the Committee may determine as provided herein. Unless otherwise determined by the Committee at the time of grant, all options shall become exercisable at the rate of 25% of the total shares subject to the option on each of the first four (4) anniversary dates of the date of grant. The Committee shall also be entitled to accelerate the date any outstanding option becomes exercisable at any time.

(b) TERM. In the event of the death of an optionee while in the employ of the Company, any unvested portion of the option as of the date of death shall be vested as of the date of death and the option shall be exercisable in full by the heirs or other legal representatives of the optionee within twelve (12) months following the date of death. In the event of termination of employment for any reason other than death or termination for cause (and except as otherwise provided in subsection (e) below) such option shall be exercisable by the employee or his legal representative within three (3) months of the date of termination as to all then vested

portions. In addition, the Committee may in its sole discretion, approve acceleration of the vesting of any unvested portions of the option. If an optionee's employment with the Company is terminated for cause, the option shall terminate as of the date of such termination of employment and the optionee shall have no further rights to exercise any portion of the option. "Termination for cause" means any discharge for violation of the policies and procedures of the Company or for other job performance or conduct that is detrimental to the best interests of the Company, as determined by the Committee in its sole discretion. Notwithstanding any of the foregoing, in no event may an option be exercised more than ten (10) years after the date of its grant.

(c) METHOD OF EXERCISE. Options may be exercised, whether in whole or in part, by written notification to the Company accompanied by cash or a certified check for the aggregate purchase price of the number of shares being purchased, or upon exercise of an option, the optionee shall be entitled (unless otherwise provided in the agreement evidencing the option), without the requirement of further approval or other action by the Committee, to pay for the shares (i) by tendering stock of the Company that has been owned by the optionee for at least six (6) months with such stock to be valued at the Fair Market Value (as determined under Section 5) on the date

immediately preceding the date of exercise or (ii) with a combination of cash and stock that has been owned by the optionee for at least six (6) months as provided above.

In addition, upon exercise of an option, the optionee may, with the prior approval of the Committee, pay for the shares (a) by tendering stock of the Company already owned by the optionee but that has NOT been held by the optionee for at least six (6) months with such stock to be valued at the Fair Market Value (as determined under Section 5) on the date immediately preceding the date of exercise, (b) surrendering a portion of the option with such surrendered option to be valued based on the difference between the Fair Market Value (as determined under Section 5) of the shares surrendered on the date immediately preceding the date of exercise and the aggregate option purchase price of the shares surrendered ("Surrender Value"), or (c) with a combination of cash, stock of the Company that has NOT been held by the optionee for at least six (6) months or surrender of options.

The Committee may also permit optionees, either on a selective or aggregate basis, to simultaneously exercise options and sell the shares of common stock thereby acquired, pursuant to a brokerage or similar arrangement, approved in advanced by the Committee, and use the proceeds from such sale as payment of the purchase price of the shares being acquired upon exercise of any option.

(d) LIMITATIONS APPLICABLE TO INCENTIVE OPTIONS. To the extent the aggregate Fair Market Value of stock (determined as of the date of grant)

with respect to which incentive stock options are exercisable for the first time by any individual during any calendar year (under all Company plans) exceeds one hundred thousand dollars ($100,000), such options shall be treated as options that are not incentive stock options. Options intended to be incentive options shall have such additional terms and provisions as required by the Internal Revenue Code.

(e) CONTINUED SERVICE AS A DIRECTOR. Any provisions of the Plan to the contrary notwithstanding, for purposes of Section 6(b) above, in the event an optionee who is also a director of the Company ceases to be employed by the Company but continues to serve as a director of the Company, the Committee, in its sole discretion, may determine that all or a portion of such optionee's options shall not expire three (3) months following the date of termination of employment with the Company as is provided in Section 6(b) above, but instead shall continue in full force and effect until the such optionee ceases to be a director of the Company, but in no event beyond the stated expiration date of the options as set forth in the applicable option agreement. Termination of any such option in connection with the optionee's termination of service as a director shall be in accordance with the provisions of Section 6(b) above; PROVIDED, however, that (i) the terms "employ" and "employment" as used therein shall be replaced with the terms "service" and "service on the Board of Directors," respectively, and (ii) the phrase "termination for cause" shall mean any removal from the Board of Directors for cause in accordance with applicable law and the Certificate of Incorporation and ByLaws of the Company.

(f) INDIVIDUAL LIMITATION. Subject to adjustment from time to time, as provided in Section 9, not more than 200,000 shares of common stock of the Company may be made subject to Options under the Plan to any individual in the aggregate in any one (1) calendar year, such limitations to be applied in a manner consistent with the requirements of, and only to the extent required for compliance with, the exclusion from the limitation or deductibility of compensation under Section 162(m) of the Code.

7. NON-EMPLOYEE DIRECTOR OPTIONS

Notwithstanding anything elsewhere in the Plan to the contrary, each person who is a member of the Board of Directors of the Company but who is not an employee of the Company (a "Non-employee Director") shall be eligible for grants of stock options under the Plan solely in accordance with the provisions of this Section 7. The following provisions of this Section 7 shall apply to the granting of stock options to Non-employee Directors:

(a) EXERCISE PRICE. The purchase price for each share placed under an option for a Non-employee Director shall be equal to 100% of the Fair Market Value of such share on the date the option is granted.

(b) VESTING AND TERM. Unless otherwise determined by the Committee

at the time of grant, all options shall become exercisable at the rate of 25% of the total shares subject to the option on each of the first four (4) anniversary dates of the date of grant. The Committee shall also be entitled to accelerate the date any outstanding option becomes exercisable at any time. The period during which a Non-employee Director option may be exercised shall be ten (10) years from the date of grant, subject to earlier termination in accordance with the provisions of Section 6(b) hereof; PROVIDED, HOWEVER that (i) the terms "employ" and "employment" as used therein shall be replaced with the terms "service" and "service on the Board of Directors," respectively, and (ii) the phrase "termination for cause" shall mean any removal from the Board of Directors for cause in accordance with applicable law and the Certificate of Incorporation and By-Laws of the Company.

(c) METHOD OF EXERCISE. Options granted to Non-employee Directors may be exercised in the manner provided in Section 6(c) hereof.

(d) OTHER PROVISIONS. All options granted to Non-employee Directors shall be subject to the other provisions of general applicability to options granted under the Plan, including without limitation, the provisions of Section 8 ("Assignability"), Section 9 ("Changes in Capitalization") and Section 10 ("Change in Control") hereof.

8. ASSIGNABILITY

During an optionee's lifetime, an option may be exercisable only by the optionee and options granted under the Plan and the rights and privileges conferred thereby shall not be subject to execution, attachment or similar process and may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution. Notwithstanding the foregoing or any other provisions of the Plan, to the extent permitted by applicable law, the Committee may, in its sole discretion, permit recipients of options that do not qualify as incentive stock options under Section 422 of the Internal Revenue Code to transfer such non-incentive options by gift or other means pursuant to which no consideration is given for such transfer. The Committee shall impose in connection with any non-incentive options transferred pursuant to the foregoing sentence such limitations and restrictions as it deems appropriate. Any other attempt to transfer, assign, pledge, hypothecate or otherwise dispose of any option under the Plan or of any right or privilege conferred thereby, contrary to the provisions of the Plan, or the sale or levy or any attachment or similar process upon the rights and privileges conferred thereby, shall be null and void ab initio.

9. CHANGES IN CAPITALIZATION

(a) NO EFFECT ON COMPANY RIGHTS. Subject to the other provisions of this Plan, the existence of the Plan and the options granted hereunder shall

not affect or restrict in any way the right or power of the Board or the shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Company's capital stock or the rights thereof, any issue of shares of Common Stock or shares of any other class of capital stock or warrants or rights to acquire such shares, the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding.

(b) CHANGES IN CAPITALIZATION. In the event of any change in capitalization affecting the common stock of the Company, such as a stock dividend, stock split, recapitalization, merger, consolidation, split-up, combination or exchange of shares or other form of reorganization, liquidation, sale of assets or any other change affecting the common stock ("Change in Capitalization"), such proportionate adjustments, shall be made with respect to the aggregate number of shares of common stock for which options may be granted under the Plan, the number of shares of common stock (or other securities) covered by each outstanding option, and the price per share of outstanding options to the end that the optionee shall be entitled to receive the same number and kind of stock, securities, cash, property or other consideration as if such option had been exercised immediately preceding such Change in Capitalization.

(c) OTHER DISTRIBUTIONS. The Committee may also make such adjustments in the number of shares covered by, and the price or other value of any outstanding options in the event of a spin-off or other distribution (other than normal cash dividends) of Company assets to shareholders.

10. CHANGE IN CONTROL

(a) EFFECT ON OPTIONS. In the event of a Change in Control (as defined below) of the Company, in addition to any adjustments required by Section 9(b):

(i) all options outstanding on the date of such Change in Control shall become immediately and fully exercisable, and

(ii) an optionee will be permitted to surrender for cancellation within sixty (60) days after such Change in Control, any option or portion of such option to the extent not yet exercised and the optionee will be entitled to receive a cash payment in an amount equal to the excess, if any, of (A) the Fair Market Value on the date preceding the date of surrender, of the shares subject to the option or portion thereof surrendered, over (B) the aggregate exercise price for the shares under the option or portion thereof surrendered.

(b) CHANGE IN CONTROL. A "Change in Control" of the Company shall mean

the occurrence after the effective date of the Plan of:

(i) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the combined voting power of the Company's then outstanding Voting Securities;

(ii) The individuals who, as of the date of adoption of the Plan by the Board, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the members of the Board; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened 'election contest' (as described in Rule 14A-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(iii) The consummation of:

(A) A merger, consolidation or reorganization involving the Company, unless

(1) the stockholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least sixty percent (60%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger or consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization,

(2) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least

two-thirds of the members of the board of directors of the Surviving Corporation, and

(3) no Person, other than the Company, any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation, or any Subsidiary or any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of fifty percent (50%) or more of the then outstanding Voting Securities, has Beneficial Ownership of fifty percent (50%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities;

(B) A complete liquidation or dissolution of the Company; or

(C) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company that, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

11. REGISTRATION AND LISTING

The Company from time to time shall take such steps as may be necessary to cause the issuance of shares upon the exercise of options granted under the Plan to be registered under the Securities Act of 1933, as amended, and such other federal or state securities laws as may be applicable. The Company shall also from time to time take such steps as may be necessary to list the shares issuable upon exercise of options granted under the Plan for trading on such stock exchanges on which the Company's then outstanding shares are admitted to listed trading.

12. EFFECTIVE AND EXPIRATION DATES OF PLAN

This Plan became effective as of October 30, 2000, the date of its approval by the Board of Directors and the Shareholders of the Company. No options shall be granted pursuant to this Plan after October 30, 2010, except with respect to awards then outstanding.

13. AMENDMENTS OR TERMINATION

The Committee may at any time amend, alter or discontinue the Plan in such manner as it may deem advisable. Any such amendment or alteration may be effected without the approval of the shareholders of the Company, except to the extent such approval may be required by applicable laws or by the rules of any securities exchange upon which the Company's outstanding shares are admitted to listed trading.

No amendment, alteration or discontinuation of the Plan shall adversely affect any stock option grants made prior to the time of such amendment, alteration or discontinuation, except with the consent of the holder of the affected options.

14. GOVERNMENTAL REGULATIONS

Notwithstanding any provision hereof, or any option granted hereunder, the obligation of the Company to sell and deliver shares under any such option shall be subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchange as may be required, and the optionee shall agree that he will not exercise any option granted hereunder, and that the Company will not be obligated to issue any shares under any such option, if the exercise thereof or if the issuance of such shares shall constitute a violation by the optionee or the Company of any applicable law or regulation. The Company shall be entitled to require as a condition to the issuance of any shares of Common Stock upon exercise of an option that the optionee remit an amount sufficient, in the Company's opinion, to satisfy all FICA, federal, state or other withholding tax requirements related thereto. Unless otherwise provided in the Agreement evidencing the option, an optionee shall be entitled, without the requirement of further approval or other action by the Committee, to satisfy such obligation in whole or in part (i) by tendering stock of the Company already owned by the optionee with such stock to be valued at the Fair Market Value (as determined under Section 5) on the date immediately preceding the date of exercise of the options,

(ii) by surrendering a portion of his or her option with such surrendered option to be valued at the Surrender Value (as determined under Section 6(c)), or (iii) by a combination of cash, stock of the Company and surrender of options.

15. GOVERNING LAW

The Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the state of Oklahoma and applicable federal law.

16. SEVERABILITY

If any provision of this Plan is determined to be invalid or unenforceable for any reason, the remaining provisions of the Plan shall remain in effect and be interpreted to reasonably effect the intent of the Plan.

PROMOTIONAL SHARES LOCK-IN AGREEMENT

GMX RESOURCES INC.

This Promotional Shares Lock-In Agreement ("Agreement"), which was entered into on the ___ day of _____, 2001, by and between GMX RESOURCES INC. ("Issuer"), whose principal place of business is located in Oklahoma City, Oklahoma, and _____ ("Security Holder") witnesses that:

A. The Issuer has filed an application with the Securities Administrator of the States of Oklahoma and Washington ("Administrators") to register certain of its Equity Securities for sale to public investors who are residents of those states ("Registration");

B. The Security Holder is the owner of the shares of common stock or similar securities and/or possesses convertible securities, warrants, options or rights which may be converted into, or exercised to purchase shares of common stock or similar securities of Issuer.

C. As a condition to Registration, the Issuer and Security Holder ("Signatories") agree to be bound by the terms of this Agreement.

Therefore, the Security Holder agrees not to sell, pledge, hypothecate, assign, grant any option for the sale of, or otherwise transfer or dispose of, whether or not for consideration, directly or indirectly, Promotional Shares as defined in the North American Securities Administrators Association ("NASAA") Statement of Policy on Corporate Securities Definitions and all certificates representing stock dividends, stock splits, recapitalizations, and the like, that are granted to, or received by, the Security Holder while the Promotional Shares are subject to this Agreement ("Restricted Securities").

Beginning one year from the completion date of the public offering, two and one-half percent (2 1/2%) of the Restricted Securities may be released each quarter pro rata among the Security Holders. All remaining Restricted Securities shall be released from escrow on the anniversary of the second year from the completion date of the public offering.

Therefore, the Signatories agree and will cause the following:

A. In the event of a dissolution, liquidation, merger, consolidation, reorganization, sale or exchange of the Issuer's assets or securities (including by way of tender offer), or any other transaction or proceeding with a person who is not a Promoter, which results in the distribution of the Issuer's assets or securities

("Distribution"), while this Agreement remains in effect that:

1. All holders of the Issuer's Equity Securities will initially share on a pro rata, per share basis in the Distribution, in proportion to the amount of cash or other consideration that they paid per share for their Equity Securities (provided that the Administrator has accepted the value of the other consideration), until the shareholders who purchased the Issuer's Equity Securities pursuant to the public offering ("Public Shareholders") have received, or have had irrevocably set aside for them, an amount that is equal to one hundred percent (100%) of the public offering's price per share times the number of shares of Equity Securities that they purchased pursuant to the public offering and which they still hold at the time of the Distribution, adjusted for stock splits, stock dividends recapitalizations and the like; and

2. All holders of the Issuer's Equity Securities shall thereafter participate on an equal, per share basis times the number of shares of Equity Securities they hold at the time of the Distribution, adjusted for stock splits, stock dividends, recapitalizations and the like.

3. The Distribution may proceed on lesser terms and conditions than the terms and conditions stated in paragraphs 1 and 2 above if a majority of the Equity Securities that are not held by Security Holders, officers, directors, or Promoters of the Issuer, or their associates or affiliates vote, or consent by consent procedure, to approve the lesser terms and conditions.

B. In the event of a dissolution, liquidation, merger, consolidation, reorganization, sale or exchange of the Issuer's assets or securities (including by way of tender offer), or any other transaction or proceeding with a person who is a Promoter, which results in a Distribution while this Agreement remains in effect, the Restricted Securities shall remain subject to the terms of this Agreement.

C. Restricted Securities may be transferred by will, the laws of descent and distribution, the operation of law, or by order of any court of competent jurisdiction and proper venue.

D. Restricted Securities of a deceased Security Holder may be hypothecated to pay the expenses of the deceased Security Holder's estate. The hypothecated Restricted Securities shall remain subject to the terms of this Agreement. Restricted Securities may not be pledged to secure any other debt.

E. Restricted Securities may be transferred by gift to the

Security Holder's family members, provided that the Restricted Securities shall remain subject to the terms of this Agreement.

F. With the exception of paragraph A.3 above, the Restricted Securities shall have the same voting rights as similar Equity Securities not subject to the Agreement.

G. A notice shall be placed on the face of each stock certificate of the Restricted Securities covered by the terms of the Agreement stating that the transfer of the stock evidenced by the certificate is restricted in accordance with the conditions set forth on the reverse side of the certificate; and

H. A typed legend shall be placed on the reverse side of each stock certificate of the Restricted Securities representing stock covered by the Agreement which states that the sale or transfer of the shares evidenced by the certificate is subject to certain restrictions until _____ (insert date of termination of the Agreement) pursuant to an agreement between the Security Holder (whether beneficial or of record) and the Issuer, which agreement is on file with the Issuer and the stock transfer agent from which a copy is available upon request and without charge.

I. The term of this Agreement shall begin on the date that the Registration is declared effective by the Administrators ("Effective Date") and shall terminate:

1. On the anniversary of the second year from the completion date of the public offering; or

2. On the date the Registration has been terminated if no securities were sold pursuant thereto; or

3. If the Registration has been terminated, the date that checks representing all of the gross proceeds that were derived therefrom and addressed to the public investors have been placed in the U.S. Postal Service with first class postage affixed; or

4. On the date the securities subject to this Agreement become "Covered Securities", as defined under the National Securities Markets Improvement Act of 1996.

J. This Agreement to be modified only with the written approval of the Administrators.

Therefore, the Issuer will cause the following:

A. A manually signed copy of the Agreement signed by the Signatories to be filed with the Administrators prior to the Effective Date;

B. Copies of the Agreement and a statement of the per share initial public offering price to be provided to the Issuer's stock transfer agent;

C. Appropriate stock transfer orders to be placed with the Issuer's stock transfer agent against the sale or transfer of the shares covered by the Agreement prior to its expiration, except as may otherwise be provided in this Agreement;

D. The above stock restriction legends to be placed on the periodic statement sent to the registered owner if the securities subject to this Agreement are uncertificated securities.

Pursuant to the requirements of this Agreement, the Signatories have entered into this Agreement, which may be written in multiple counterparts and each of which shall be considered an original. The Signatories have signed the Agreement in the capacities, and on the dates, indicated.

IN WITNESS WHEREOF, the Signatories have executed this Agreement.

GMX RESOURCES INC.

By: _____
President

By: _____
Secretary

_____
Signature

_____
Printed Name of Security Holder

_____
Title, if applicable

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
GMX RESOURCES, INC.:

We consent to the use of our report included herein and to the reference of our firm under the heading "Experts" in the registration statement.

Our report refers to the restatement of the 1999 financial statements.

KPMG LLP

Oklahoma City, Oklahoma
February 1, 2001

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the use of our reports herein and to the reference of our firm under the heading "Experts" in the prospectus with respect to the financial statements of GMX RESOURCES INC.

/s/ Wright, McAfee & Co.

WRIGHT, McAFEE & CO., C.P.A.'S
A PROFESSIONAL CORPORATION

Oklahoma City, Oklahoma
February 1, 2001

EXHIBIT 23.3

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS

Sproule Associates, Inc., does hereby consent to the use of its reports relating to the proved oil and gas reserves of GMX Resources Inc. and to the reference to the firm as an expert in Amendment No. 2 to Form SB-2 registration statement being filed by GMX RESOURCES INC. with respect to 1,250,000 Units, each Unit consisting of one share of common stock and one Class A warrant to purchase one share of common stock.

SPROULE ASSOCIATES, INC.

By: /s/ L.S. O'Connor

February 1, 2001