

Goodrich Petroleum Buys Offset Sale

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By [JENNIFER HODSON](#)

Four top-level insiders at Goodrich Petroleum Corp. bought \$1.54 million in shares in recent weeks, even as one director sold \$35.5 million worth.

But for a variety of reasons, the buys are more important than the sale, analysts say, and the shares may represent a good value despite the size of the director's sale.

"In my view, we've been way too caught up in considering the dollar-value size of transactions," said Michael Painchaud, research director at [Market Profile Theorems](#).

Four executives, including Chairman Patrick E. Malloy III and Chief Executive Walter G. Goodrich, purchased 127,000 shares recently, while director Josiah T. Austin sold three million shares.

In a news release issued shortly after the transactions, Mr. Austin said, "This sale of stock was made to resolve a personal financial obligation and in no way reflects on my very positive views of the company, its assets and outlook for the future."

Mr. Austin and a company spokeswoman didn't return phone calls seeking additional comment about the transactions.

Jonathan Moreland, director of research at InsiderInsights.com, said he was instantly attracted to the stock based on the purchases, but his enthusiasm waned once he saw Mr. Austin's sale.

While Mr. Austin's large stock sale doesn't negate the insider purchases, Mr. Moreland said he regards the sale as "an asterisk" that muddies the company's insider profile.

Noting that Mr. Austin holds stakes in several public companies, Mr. Moreland asked, "Why would such a savvy, well-known, well-connected insider raise capital from one asset trading near a 52-week low?"

Shares of Goodrich Petroleum, a Texas energy exploration and production company, closed Tuesday at \$13.55 a share, up nearly 21% from a 52-week low of \$11.16 reached on May 25 but still well off the stock's 52-week high of \$30.90.

Mr. Moreland said he still views the company positively. But, noting a recent trend of insider buying within the energy sector, he said he would be more likely to invest in another energy company "without the asterisk."

For Mr. Painchaud of [Market Profile Theorems](#), however, the insider purchases greatly outweigh Mr. Austin's sale.

"There are so many reasons why an insider could be a seller, but very few for being a buyer," Mr. Painchaud said. Insider purchases are a stronger indicator of future positive performance than sales are of future poor performance, he said.

When analyzing insider trading, the size of a transaction, while noteworthy, is hardly the most important consideration, Mr. Painchaud said. Much more significant is the number of individuals buying or selling.

The Goodrich example "reinforces the concept that plurality is more important than one insider's transaction," Mr. Painchaud said.

Mr. Painchaud, whose analysis models rank stocks' insider profiles on a scale of 1 to 10, with 10 being the best, said the recent purchases pushed Goodrich's insider score to a 10 from a 9, despite Mr. Austin's sale.

Goodrich shares have taken a hit amid general concerns about the natural-gas industry. The company had a disappointing first quarter, with an adjusted net loss of \$20.1 million, and it is among the most shorted stocks, by percentage of float, on the New York Stock Exchange.

"If gas prices go up to \$5, you don't want to be short on Goodrich," said Thomas Pauly, an analyst with Raymond James & Associates Inc., who has the stock rated as "outperform."

He attributed part of Goodrich Petroleum's recent underperformance to short sellers and said, "There's nothing flawed with the company."

Michael Scialla of Thomas Weisel Partners said he thought the recent insider buys were "obviously encouraging" and likely stemmed from executives' confidence in the company's April purchase of 35,000 acres in Texas's Eagle Ford Shale. The new assets will let the company diversify its production more into oil, making it less dependent on natural gas. Mr. Scialla has Goodrich Petroleum rated as "market weight."

Raymond James expects to receive or intends to seek compensation for investment-banking services from Goodrich in the next three months and has co-managed offerings for the company in the past.