TEEKAY TANKERS LTD.
Form 424B2
December 19, 2014
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-196915

PROSPECTUS SUPPLEMENT

(To Prospectus dated June 19, 2014)

20,000,000 Shares

Teekay Tankers Ltd.

CLASS A COMMON STOCK

We are selling 20,000,000 shares of our Class A common stock. We have granted the underwriters an option to purchase up to 3,000,000 additional shares of our Class A common stock. Teekay Corporation has committed to purchase directly from us at the public offering price 4,166,666 shares concurrently with the closing of this transaction. We refer to this transaction as the concurrent sale. The shares sold in the concurrent sale will not be subject to any underwriting discounts or commissions. Please read the section in this prospectus supplement entitled Underwriting for more information.

Our Class A common stock trades on the New York Stock Exchange under the symbol TNK. On December 18, 2014, the last reported sale price of our Class A common stock on the New York Stock Exchange was $5.40 per share.

Investing in our securities involves a high degree of risk. You should carefully consider each of the factors described under Risk Factors beginning on page S-12 of this prospectus supplement and page 4 of the accompanying prospectus before you make an investment in our Class A common stock.

PRICE $4.80 A SHARE

	Per Share	Total
Public Offering Price	$ 4.800	$ 96,000,000
Underwriting Discount	$ 0.228	$ 4,560,000
Proceeds to Teekay Tankers Ltd. (before expenses)	$ 4.572	$ 91,440,000

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock on or about December 24, 2014.

Joint Book-Running Managers

Morgan Stanley **BofA Merrill Lynch** **Credit Suisse**

Co-Managers

Evercore ISI **ABN AMRO** **DNB Markets**

December 19, 2014

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of shares of our Class A common stock. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. Generally, when we refer to the prospectus, we refer to both parts combined. If information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that is also incorporated by reference into this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus or any free writing prospectus we may authorize to be delivered to you. We have not authorized anyone to provide you with different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus or any free writing prospectus we may authorize to be delivered to you, as well as the information we previously filed with the Securities and Exchange Commission (or *SEC*) that is incorporated by reference herein, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since such dates. We will disclose material changes in our affairs in an amendment to this prospectus, a prospectus supplement or a future filing with the SEC incorporated by reference in this prospectus.

We are offering to sell shares of our Class A common stock and are seeking offers to buy shares of our Class A Common Stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus and the offering of shares of our Class A Common Stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of shares of our Class A common stock and the distribution of this prospectus outside the United States. This prospectus does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus are forward-looking statements, including, in particular, statements regarding:

- the timing and certainty of our future growth prospects and opportunities, including future vessel and business acquisitions;
- our expectations regarding the completion and negotiated terms of potential acquisition opportunities, and the results of any such transactions, including the effects of any such transaction on fleet size, debt level, leverage and control of our company;
- our financial position and ability to acquire additional assets;
- the expected delivery of in-chartered tankers;
- tanker market conditions and fundamentals, including the balance of supply and demand in these markets and spot tanker charter rates and oil production;
- tanker fleet utilization;
- the effectiveness of our chartering strategy in capturing upside opportunities and reducing downside risks, including our ability to take advantage of a tanker market recovery;
- our ability to generate surplus cash flow and pay dividends from our existing vessel fleet or from potential vessel acquisitions;
- the sufficiency of working capital for short-term liquidity requirements;
- our compliance with, and the effect on our business and operating results of, covenants under our term loans and credit facilities and our ability to refinance our revolving credit facility due in 2017;
- future capital expenditure commitments and the financing requirements for such commitments;

the effect on our business of our acquisition of an ownership interest in Teekay Operations, future growth in the number of vessels under management, and the expected future effect on our financial results;

TIL s intent to opportunistically acquire, operate and sell modern secondhand tankers;

our expectations regarding payments made on behalf of our co-obligors in connection with the loan arrangements in which certain other subsidiaries of Teekay Corporation are also borrowers;

continued material variations in the period-to-period fair value of our derivative instruments;

our hedging activities relating to foreign exchange, interest rate and spot market risks; and

those statements set forth in the sections titled Material United States Federal Income Tax Considerations and Non-United States Tax Considerations in this prospectus supplement.

Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words believe , anticipate , expect , estimate , proj will be , will continue , will likely result , or words or phrases of similar meanings. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements, which involve risks and uncertainties. Important factors that could cause actual results to differ materially include, but are not limited to: spot market rate fluctuations; changes in the production of or demand for oil; changes in trading patterns significantly affecting overall vessel tonnage requirements; greater or lower than expected levels of tanker scrapping; greater or lower than anticipated levels of vessel newbuilding orders; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; the potential for early termination of short- or medium-term contracts and our potential inability to renew or replace short- or

medium- term contracts; our potential inability to implement our growth strategy; competitive factors in the markets in which we operate; loss of any customer, time-charter or vessel; our potential inability to raise financing to purchase additional vessels; changes in interest rates and the capital markets; future issuances of our common stock; failure of TIL to acquire additional growth vessels or acquire vessels at prices below long-term average vessel values; our potential inability to negotiate acquisitions on terms acceptable to us, if at all; changes in our costs, such as the cost of crews, dry-docking expenses and associated off-hire days; dry docking delays; and other factors detailed from time to time in our periodic reports filed with the SEC, including our Annual Report on Form 20-F for the year ended December 31, 2013.

We undertake no obligation to update any forward-looking statement to reflect any change in our expectations or events or circumstances that may arise after the date on which such statement is made. New factors emerge from time to time, and it is not possible for us to predict all of these factors. In addition, we cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

SUMMARY

The following summary highlights selected information contained elsewhere in this prospectus and the documents incorporated by reference in this prospectus and does not contain all the information you will need in making your investment decision. You should carefully read this entire prospectus supplement and the accompanying prospectus, including the Risk Factors section, and the documents incorporated by reference in this prospectus. Unless otherwise specifically stated, the information presented in this prospectus supplement assumes that the underwriters have not exercised their option to purchase additional shares.

Unless otherwise indicated, references in this prospectus to Teekay Tankers Ltd., we, us and our and similar terms refer to Teekay Tankers Ltd. and/or one or more of its subsidiaries, except that those terms, when used in this prospectus in connection with the common stock described in this prospectus, shall mean specifically Teekay Tankers Ltd. References in this prospectus to Teekay Corporation refer to Teekay Corporation and/or any one or more of its subsidiaries. References to our Manager are to Teekay Tankers Management Services Ltd., a subsidiary of Teekay Corporation, which provides to us commercial, technical, administrative and strategic services.

Overview

Our business is to own crude oil and product tankers and we employ a chartering strategy that seeks to capture upside opportunities in the spot market while using fixed-rate time charters to reduce downside risks. Teekay Corporation (NYSE:TK), which formed us in 2007, is a leading provider of marine services to the global oil and natural gas industries and the world s largest operator of medium-sized oil tankers. We believe we benefit from Teekay Corporation s expertise, relationships and reputation as we operate our fleet and pursue growth opportunities. Our fleet consists of 28 owned vessels, including one very large crude carrier (or *VLCC*) owned through a 50/50 joint venture with High-Q Investments Limited, a Hong Kong corporation (or the *High-Q Joint Venture*), and 12 chartered-in vessels. We have also agreed to acquire five additional vessels, which are scheduled to deliver in the first quarter of 2015. We are actively pursuing, and anticipate additional opportunities to expand our fleet through, acquisitions of tankers from third parties. These tankers may include crude oil and product tankers.

Our Fleet

As of December 15, 2014, seven of our Aframax tankers, one of our Suezmax tankers, one of our Medium Range (or *MR*) tankers and one VLCC owned through the High-Q Joint Venture, operated under fixed-rate, time-charter contracts with our customers, of which six charter contracts are scheduled to expire in 2015, three are scheduled to expire in 2016 and one is scheduled to expire in 2018. As of December 15, 2014, three of our Aframax tankers, nine Suezmax tankers and two MR tankers, and our three Long Range 2 (or *LR2*) tankers participated in the Teekay Aframax pool, the Gemini Suezmax pool, the Norient Product Pool and the Taurus Tankers LR2 pool, respectively, which pools included 35, 24, 42 and 19 total vessels, respectively. In addition, we have time-chartered in eight Aframax tankers and four LR2 tankers from third parties, which are trading in the Aframax pool and the LR2 pool, respectively. Teekay Tanker Operations Ltd. (or *TTOL*), in which Teekay Corporation and we each have a 50% interest, manages the Teekay Aframax Pool and the Taurus Tankers LR2 Pool, and has a partial ownership interest in the manager of the Gemini Suezmax Pool. The Norient Product Pool is managed by a third party unaffiliated with Teekay Corporation.

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The following table provides additional information about our fleet as of December 15, 2014.

Vessel	Capacity (dwt)(1)	Built	Employment	Expiration of Out-Charter
Owned Aframax Tankers:				
Americas Spirit	111,900	2003	Time charter	Sep. 2015
Australian Spirit	111,900	2004	Time charter	Jan. 2016
Axel Spirit	115,400	2004	Time charter	Dec. 2016
Erik Spirit	115,500	2005	Time charter	Jan. 2015
Esther Spirit	115,400	2004	Time charter	Dec. 2015
Everest Spirit	115,000	2004	Time charter	Apr. 2016
Helga Spirit	115,500	2005	Time charter	Aug. 2015
Kanata Spirit	113,000	1999	Pool	
Kareela Spirit	113,100	1999	Pool	
Kyeema Spirit	113,400	1999	Pool	
Matterhorn Spirit	114,800	2005	Spot	
Owned Suezmax Tankers:				
Ashkini Spirit	165,200	2003	Pool	
Ganges Spirit	159,500	2002	Pool	
Godavari Spirit	159,100	2004	Pool	
Iskmati Spirit	165,200	2003	Pool	
Kaveri Spirit	150,000	2004	Pool	
Pinnacle Spirit	160,400	2008	Pool	
Narmada Spirit	159,200	2003	Pool	
Summit Spirit	160,500	2008	Time charter	Jan. 2015
Yamuna Spirit	159,400	2002	Pool	
Zenith Spirit	160,500	2009	Pool	
Owned LR2 Product Tankers:				
Donegal Spirit	105,200	2006	Pool	
Galway Spirit	105,200	2007	Pool	
Limerick Spirit	105,200	2007	Pool	
Owned MR Product Tankers:				
Hugli Spirit	46,900	2005	Time charter	Feb. 2015
Mahanadi Spirit	47,000	2000	Pool	
Teesta Spirit	47,000	2004	Pool	
Owned VLCC Tanker:				
Hong Kong Spirit (2)	319,000	2013	Time charter	Jul. 2018
Total capacity	3,629,400			

Vessel	Employment	Expiration of In-Charter(3)
In-chartered Aframax Tankers:		
Blue River	Spot	Sep. 2017

BM Breeze	Spot	Feb. 2016
Desh Bhakt	Spot	Nov. 2015
RBD Anema E Core	Spot	Apr. 2015
Rich Duke II	Spot	Nov. 2015
SN Claudia	Spot	Oct. 2015
Yasa Golden Dardanelles	Spot	Jun. 2015
Yasa Golden Marmara	Spot	Mar. 2016

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Vessel	Employment	Expiration of In-Charter(3)
In-chartered LR2 Product Tankers:		
Cape Endless	Spot	Feb. 2015
Cape Enterprise	Spot	Feb. 2015
Four Wind	Spot	Jul. 2015
Swarna Karmal	Spot	Jul. 2015

(1) Deadweight tonnes.
(2) VLCC owned through a 50/50 joint venture.
(3) Excluding extension options.

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Business Strategies

Our primary business strategies include the following:

Expand our fleet through accretive acquisitions. Since our initial public offering, we have purchased 27 conventional tankers from Teekay Corporation at prices equal to their fair market values, and one VLCC through our High-Q Joint Venture. In addition to our owned vessels, we have time-chartered in eight Aframax tankers and four LR2 tankers from third parties. Our growth strategy includes the expansion of our fleet through the selective acquisition of newbuildings and secondhand tankers, as well as potentially transformative acquisitions of large fleets of existing vessels, from third parties. We may undertake the acquisition of vessels under construction or quality secondhand vessels through individual or fleet acquisitions, and we regularly consider, and are currently at various stages of actively pursuing, evaluating and discussing current and potential vessel opportunities. In evaluating these opportunities, we consider, among other things, the types and sizes of the vessels relative to those in our existing fleet.

Tactically manage our mix of spot and charter contracts. We employ a chartering strategy that seeks to capture upside opportunities in the spot market while using fixed-rate time charters to reduce downside risks. We believe that our Manager s experience operating through cycles in the tanker spot market assists us in employing this strategy and seeking to maximize operating results. To benefit from the current tanker market recovery, we are seeking to increase our exposure to the spot market through spot market employment following completion of time charters and by actively pursuing in-chartering opportunities.

Increase cash flow by participating in the pooling arrangements and increasing vessels under pooling arrangements and technical management. Through the participation of a significant number of our vessels in the Gemini Suezmax Pool, the Teekay Aframax Pool, the Taurus Tankers LR2 Pool and the Norient Product Pool, we believe that we benefit from Teekay Corporation s reputation and the scope of Teekay Corporation s operations. We believe that the cash flow we derive over time from operating some of our vessels in these pooling arrangements exceeds the amount we would otherwise derive by operating these vessels outside of the pooling arrangements due to higher vessel utilization and daily revenues. We also derive pool and vessel management income as a result of our August 2014 purchase of a 50% interest in TTOL, which includes Teekay Corporation s conventional tanker commercial and technical management operations and is the owner of interests in three of the pooling arrangements. We seek to increase this fee income by increasing the number of vessels participating in the applicable pooling arrangements and receiving management services from TTOL.

Provide superior customer service by maintaining high reliability, safety, environmental and quality standards. We believe that energy companies seek transportation partners that have a reputation for high reliability, safety, environmental and quality standards. We leverage Teekay Corporation s reputation for operational expertise and customer base to further expand these relationships with consistent delivery of superior customer service through our Manager.

Our Competitive Strengths

We believe that we possess a number of competitive strengths that will allow us to capitalize on growth opportunities in the oil tanker market, including the following:

Teekay Corporation has extensive experience in fleet expansion. Teekay Corporation, of which our Manager is a wholly-owned subsidiary, has acquired over $9.0 billion in vessels since 2009, expanding Teekay Corporation s and its subsidiaries fleet by approximately 90 vessels through a combination of newbuildings, conversions, vessel and business acquisitions and, in some cases, joint ventures. We believe that this fleet expansion experience, to which we have access through our Manager and which enhances our own fleet expansion experience, will continue to prove valuable as we seek to expand our fleet and integrate new assets into our operations.

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We have access to Teekay Corporation s extensive experience in and knowledge of the medium-sized oil tanker market. With over 40 years in the oil tanker business and with worldwide operations, Teekay Corporation has operated successfully through the inherent cyclicality in the spot market. We believe that our participation in the tanker pools and our relationship with our Manager allow us to benefit from Teekay Corporation s market knowledge and experience in obtaining competitive spot and time-charter rates and in managing our mix of spot and time-charter contracts to maximize our cash flow.

We Believe that our Relationship with Teekay Corporation, with its Prominence and Customer Relationships in the Shipping Industry, Significantly Enhances our Growth Opportunities. Teekay Corporation has developed an extensive network of long-standing relationships and a strong reputation in the shipping industry. We believe that our relationship with Teekay Corporation significantly enhances the growth of our business through acquisition opportunities and the pursuit of our chartering strategy.

We have Access to Teekay Corporation s and TTOL s Expertise in Various Functions Critical to our Vessel Operations. Our Manager and the other Teekay Corporation subsidiaries that provide services to us, including TTOL, have significant technical, financial and commercial capabilities relating to vessel operations and other business matters applicable to our operations. We believe that these services provide strict quality and cost controls to our business and effective safety monitoring of our vessels.

We have Financial Flexibility to Pursue Acquisitions and Other Strategic Transactions. We believe that our cash balances and availability under our revolving credit facility, in addition to our potential ability to obtain other bank financings and raise equity capital, provide us with financial flexibility to pursue acquisition opportunities and other transactions that benefit us. As of September 30, 2014, we had a cash balance of approximately $46.4 million and undrawn availability under our revolving credit facilities of approximately $192.3 million, for total liquidity of approximately $238.7 million.

Our Manager

Our Manager currently provides all of our staff, including our executive officers. Our board of directors has the authority to hire any staff for us as it deems necessary.

Our Manager manages our business pursuant to a long-term management agreement (or the *Management Agreement*), under which it provides to us commercial, technical, administrative and strategic services, including vessel maintenance, crewing, purchasing, shipyard supervision, insurance and financial services. Commercial services are provided to us by subsidiaries of Teekay Corporation, including TTOL, which manages the Teekay Aframax Pool and the Taurus Tankers LR2 Pool, and has a partial ownership interest in the manager of the Gemini Suezmax Pool. In August 2014, we purchased from Teekay Corporation a 50% interest in TTOL. Please read Recent Developments Acquisition of 50% of Teekay Corporation s Commercial and Technical Operations.

Recent Developments

Vessel and Fleet Acquisitions

Aframax Tanker Acquisitions

On December 17, 2014, we agreed to acquire four LR2 product tankers for an aggregate purchase price of $193.25 million. These vessels, which consist of one 2010 and three 2011-built coated Aframax tankers, currently trade in the Taurus LR2 pool. Two of the 2011-built vessels are currently in-chartered to us. The in-charters, which expire on February 20, 2015, with two six month options to renew, will terminate upon completion of the acquisition. All four vessels were constructed at a leading shipyard in China. The closing of the acquisition is subject to the satisfaction of customary closing conditions. We expect to take delivery of the four vessels in the first quarter of 2015.

On December 17, 2014, we agreed to acquire a 2008-built uncoated Aframax tanker for a purchase price of $37 million. The 107,617 dwt vessel was constructed at a leading Japanese shipyard. The closing of the acquisition is subject to the satisfaction of customary closing conditions. We expect to take delivery of the vessel in the first quarter of 2015.

We intend to pay the $230.25 million aggregate purchase price for the five vessels with the proceeds from (a) this offering, (b) the issuance by us to Teekay Corporation of 4.2 million shares of our Class A common stock (at a price per share equivalent to the public offering price in this offering) concurrently with the closing of this offering and (c) borrowings under new bank facilities. We anticipate that approximately $138 million will be funded with borrowings under new bank facilities.

Potential Fleet Acquisition

As part of our growth strategy to expand our fleet through the selective acquisition of newbuildings and secondhand tankers, as well as potentially transformative acquisitions of large fleets of existing vessels, we are in preliminary discussions to acquire 100% of a company that owns and operates a fleet of tankers. We have not entered into any letter of intent or definitive agreements for such transaction, and may not agree to pursue a transaction. If completed, the transaction would more than double the number of vessels comprising our fleet and would add to our personnel.

As currently contemplated, the consideration to be paid by us would consist of cash and the issuance of shares of our Class A common stock to the owner of the target company, whereby the owner of the target company would hold a majority of our outstanding common shares. It is anticipated that the owner and Teekay Corporation would share control of us following the transaction. As currently contemplated, we would also incur a substantial amount of debt in connection with the transaction, including in respect of the cash portion of the acquisition consideration, although we do not expect that our debt-to-equity ratio would be negatively affected.

We can provide no assurances as to whether or when any transaction will occur and, if a transaction is completed, the terms may differ materially, including in a manner adverse to us, from those currently contemplated by us. In addition, there can be no assurances that any such transaction, if completed, would be viewed in a positive manner by investors.

Investment in Tanker Investments Ltd.

In January 2014, we and Teekay Corporation jointly created Tanker Investments Ltd. (or *TIL*), which seeks to opportunistically acquire, operate, and sell modern secondhand tankers to benefit from the recovery of the tanker market. TIL completed a $250 million equity private placement in which we and Teekay co-invested $25 million each for a combined 20% initial ownership in the new company. In addition, we each received a stock purchase warrant to acquire up to an additional 750,000 shares of TIL s common stock, linked to TIL s future share price performance. In March 2014, TIL completed a $175 million initial public offering and listed its shares on the Oslo Stock Exchange, which issuance reduced our ownership interest in TIL from 10.0% to 6.5%.

In March 2014, we exercised our rights under security documentation to realize the amounts owed under our investment in term loans and assumed full ownership of two 2010-built VLCC vessels, which previously secured the investment in term loans. At the time of our assumption of ownership, these vessels had an aggregate fair value of approximately $144 million, which exceeded the carrying value of the loans. In May 2014, we sold the two wholly-owned subsidiaries, each of which owned one of the VLCCs, to TIL for aggregate proceeds of $154 million, plus related working capital on closing.

In October 2014, we acquired, through open market purchases, an additional 0.9 million common shares in TIL, for an aggregate price of $10.1 million. We held 3.4 million common shares in TIL, representing 9.3% of the outstanding share capital of TIL as of December 15, 2014.

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As of December 15, 2014, TIL had acquired two 2010-built VLCC vessels from us, four 2009-built Suezmax tankers from Teekay Corporation, and six 2009, 2010 and 2011-built Aframax tankers, two 2012-built coated Aframax vessels, and six 2009 and 2010-built Suezmax vessels from third parties, bringing the total number of vessels owned by TIL to 20. The six Suezmax vessels were acquired on December 15, 2014, for a purchase price of $315 million, and are expected to be delivered in the first half of 2015.

Acquisition of 50% of Teekay Corporation s Commercial and Technical Operations

On August 1, 2014, we purchased from Teekay Corporation a 50% interest in TTOL, which owns conventional tanker commercial management and technical management operations, including ownership of the Teekay Aframax Pool and the Taurus Tankers LR2 Pool, and partial ownership of the Gemini Suezmax Pool, for an aggregate price of approximately $24.2 million, including net working capital. As consideration for this acquisition, we issued to Teekay Corporation 4.2 million Class B common shares, which had an approximate value of $17 million, or $4.03 per share, on the acquisition closing date. In addition, we reimbursed Teekay Corporation for $7.2 million of working capital we assumed from Teekay Corporation in connection with the purchase.

Tanker Market

Crude tanker spot rates strengthened significantly during the third quarter of 2014, with rates achieving the highest average level for a third quarter since 2008. The increase in tanker rates was due to a combination of stronger seasonal oil demand in July and August, an increase in long-haul crude movements from the Atlantic to Pacific and an increase in oil purchases for onshore commercial and strategic storage.

Crude tanker rates have remained strong in the fourth quarter of 2014 due to a combination of higher seasonal oil demand, weather-related transit delays and the positive impact of lower global oil prices. Oil prices have declined by more than 40 percent since the summer, which has had a positive impact on crude tanker rates in a number of ways:

- Lower oil prices encourage stockpiling of crude oil, particularly in China where the government continues to fill the second stage of its Strategic Petroleum Reserve;
- A contango price structure for crude oil futures encourages buying and could lead to floating storage of oil if the spread between the current and future oil price increases;
- Lower oil and fuel prices, if sustained, could translate into higher oil demand over time; and
- Reduced bunker prices are positive for tanker earnings by lowering voyage operating costs.

LR2 product tanker spot rates have also strengthened in the second half of 2014, with November rates averaging the highest level since December 2008. LR2 rates have been supported by high levels of Asian naphtha imports from the West coupled with an increase in long-haul product exports from new refineries in the Middle East and Asia. A reduction in global oil prices in recent months has also been positive for the LR2 trade, as lower naphtha prices in relation to liquefied petroleum gas (or *LPG*) has led some petrochemical plants to process more naphtha instead of LPG.

The global tanker fleet grew by 6.5 million deadweight tonnes (or *mdwt*), or 1.3%, in the first 11 months of 2014. The majority of the fleet growth occurred in the product tanker sector while the crude tanker fleet grew by just 1.8 mdwt, or 0.5%. The global VLCC fleet has grown by a net 11 vessels, or 1.8%, in the first 11 months of the year, while the Suezmax and uncoated Aframax fleets have reduced in size by two vessels, or 0.4%, and 19 vessels, or 2.9%, respectively. Looking ahead, we forecast 2.1% net global tanker fleet growth in 2015 with growth once again weighted towards the product tanker sector and another year of negative fleet growth for the Suezmax and uncoated Aframax sectors.

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Charter Arrangements

As of December 15, 2014, we had in-charter contracts for four LR2 vessels and eight in-charter contracts for Aframax vessels, bringing our total number of time chartered-in vessels to twelve, which has increased our exposure to the spot tanker market.

Corporate Information

We are incorporated under the laws of the Republic of The Marshall Islands as Teekay Tankers Ltd. Our principal executive offices are located at 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda, and our phone number is (441) 298-2530. Our website address is *www.teekaytankers.com*. The information contained in our website is not part of this prospectus.

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The Offering

Issuer	Teekay Tankers Ltd.
Class A Common stock offered	20,000,000 shares.
	23,000,000 shares if the underwriters exercise their option to purchase additional shares in full.
Concurrent Sale	Teekay Corporation has committed to purchase directly from us at the public offering price 4,166,666 shares concurrently with the closing of this transaction.
Shares of common stock outstanding immediately after this Offering	91,176,425 shares of Class A common stock (94,176,425 shares if the underwriters exercise their option to purchase additional shares in full) and 16.7 million shares of Class B common stock. Excludes shares to be issued to Teekay Corporation as described under Concurrent Sale .
Use of proceeds	We intend to use the net proceeds of approximately $91.2 million ($104.9 million if the underwriters exercise their option to purchase additional shares in full) from this offering to partially fund our acquisition of four LR2 product tankers and one Aframax tanker and for general corporate purposes, which may include funding future vessel acquisitions. We intend to finance the remaining portion of the aggregate purchase price of the five vessels with proceeds from (a) the issuance by us to Teekay Corporation of 4.2 million shares of our Class A common stock as described under Concurrent Sale and (b) borrowings under new bank facilities. We anticipate that approximately $138 million will be funded with borrowings under new bank facilities. Please read Use of Proceeds on page S-14 of this prospectus supplement.
Cash dividends	We paid a cash dividend of $0.03 per share of common stock for the quarter ended September 30, 2014.
Class B common stock	Teekay Corporation owns indirectly all of our outstanding shares of Class B common stock, in addition to shares of our Class A common stock. The principal difference between our Class A common stock and our Class B common stock is that each share of Class B common stock entitles the holder thereof to five votes on matters presented to our

	shareholders, while each share of Class A common stock entitles the holder thereof to only one vote on such matters. However, the voting power of the Class B common stock is limited such that the aggregate voting power of all shares of outstanding Class B common stock can at no time exceed 49 percent of the voting power of our outstanding Class A common stock and Class B common stock, voting together as a single class. The holder of shares of Class B common stock may elect at any time to have such shares converted into shares of Class A common stock on a one-for-one basis. Please read Description of Capital Stock on page 8 of the accompanying prospectus for a description of other events triggering a conversion of shares of Class B common stock into shares of Class A common stock.
NYSE listing	Our Class A common stock is listed on the New York Stock Exchange under the symbol TNK.

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RISK FACTORS

An investment in shares of our Class A common stock involves a significant degree of risk. Before investing in shares of our Class A common stock, you should carefully consider all information included or incorporated by reference in this prospectus, including the risks discussed below under this heading Risk Factors and in the accompanying prospectus and in our latest Annual Report on Form 20-F filed with the SEC, which is incorporated by reference into this prospectus. In addition, you should read Material United States Federal Income Tax Considerations in this prospectus supplement and in the accompanying base prospectus for a more complete discussion of expected material U.S. federal income tax consequences of owning and disposing of shares of our Class A common stock.

If any of these risks were to occur, our business, financial condition, operating results or cash flows could be materially adversely affected. In that case, we might be unable to pay dividends on shares of our Class A common stock, the trading price of shares of our Class A common stock could decline, and you could lose all or part of your investment.

Tax Risks

U.S. tax authorities could treat us as a passive foreign investment company, which could have adverse U.S. federal income tax consequences to U.S. holders.

A non-U.S. entity taxed as a corporation for U.S. federal income tax purposes will be treated as a passive foreign investment company (or *PFIC*) for such purposes in any taxable year for which either (a) at least 75% of its gross income consists of passive income or (b) at least 50% of the average value of the entity s assets produce or are held for the production of passive income. For purposes of these tests, passive income includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties, other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. By contrast, income derived from the performance of services does not constitute passive income.

There are legal uncertainties involved in determining whether the income derived from our time chartering activities constitutes rental income or income derived from the performance of services, including the decision in *Tidewater Inc. v. United States,* 565 F.3d 299 (5th Cir. 2009), which held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the U.S. Internal Revenue Code of 1986, as amended (or the *Code*). However, the Internal Revenue Service (or *IRS*) stated in an Action on Decision (AOD 2010-01) that it disagrees with, and will not acquiesce to, the way that the rental versus services framework was applied to the facts in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes.
e="color:windowtext;margin:0in 0in .0001pt 30.0pt;text-indent:-10.0pt;">Total liabilities

6,851,000

6,496,000

Commitments:

Stockholders Equity:

Preferred stock, no par value, 5,000,000 shares authorized, none issued

Common stock, $.10 par value, 20,000,000 shares authorized, 10,660,000 issued	**1,066,000**	1,066,000
Capital in excess of par value	**31,506,000**	31,472,000
Treasury stock at cost, 485,000 shares in 2010 and 419,000 in 2009	**(3,620,000)**	(2,803,000)
Retained earnings	**17,563,000**	16,321,000
Total stockholders equity	**46,515,000**	

		46,056,000
Total Liabilities and Stockholders Equity	**$**	**53,366,000**
	$	52,552,000

The accompanying notes are an integral part of these consolidated financial statements.

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CREDO PETROLEUM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

(Unaudited)

	Six Months Ended April 30, 2010	Six Months Ended April 30, 2009	Three Months Ended April 30, 2010	Three Months Ended April 30, 2009
Oil sales	**$ 3,530,000**	$ 2,118,000	**$ 1,806,000**	$ 1,496,000
Natural gas sales	**2,557,000**	2,343,000	**1,139,000**	857,000
	6,087,000	4,461,000	**2,945,000**	2,353,000
Costs and expenses:				
Oil and gas production	**1,658,000**	1,623,000	**802,000**	737,000
Depreciation, depletion and amortization	**1,723,000**	2,540,000	**858,000**	1,203,000
Write-down of oil and natural gas properties (Note 3) and impairment of long lived assets (Note 8)		24,652,000		8,030,000
General and administrative	**1,119,000**	1,389,000	**577,000**	521,000
	4,500,000	30,204,000	**2,237,000**	10,491,000
Income (loss) from operations	**1,587,000**	(25,743,000)	**708,000**	(8,138,000)
Other income and (expense)				
Realized and unrealized gains from derivative contracts	**27,000**	1,927,000	**41,000**	461,000
Investment and other income (loss)	**43,000**	(120,000)	**44,000**	22,000
	70,000	1,807,000	**85,000**	483,000
Income (loss) before income taxes	**1,657,000**	(23,936,000)	**793,000**	(7,655,000)
Income taxes	**(415,000)**	9,335,000	**(190,000)**	2,945,000
Net income (loss)	**$ 1,242,000**	$ (14,601,000)	**$ 603,000**	$ (4,710,000)
Earnings (loss) per share of Common Stock Basic	**$ .12**	$ (1.41)	**$ .06**	$ (.46)
Earnings (loss) per share of Common Stock Diluted	**$ .12**	$ (1.41)	**$ .06**	$ (.46)
Weighted average number of shares of Common Stock and dilutive securities:				
Basic	**10,140,000**	10,358,000	**10,187,000**	10,330,000
Diluted	**10,179,000**	10,358,000	**10,205,000**	10,330,000

The accompanying notes are an integral part of these consolidated financial statements.

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CREDO PETROLEUM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended April 30,	
	2010	**2009**
Cash flows from operating activities:		
Net income (loss)	$ **1,242,000**	$ (14,601,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Write-down of oil and natural gas properties and impairment of long lived assets		24,652,000
Depreciation, depletion and amortization	**1,723,000**	2,540,000
ARO liability accretion	**39,000**	38,000
Unrealized (gain) loss on derivative instruments	**(24,000)**	348,000
Deferred income taxes	**365,000**	(9,335,000)
(Gain) loss on short term investments	**(11,000)**	208,000
Compensation expense related to stock options granted	**34,000**	16,000
Other		27,000
Changes in operating assets and liabilities:		
Purchase of short term investments	**(1,500,000)**	
Proceeds from short-term investments	**96,000**	975,000
Accrued oil and gas sales	**22,000**	(167,000)
Trade receivables	**301,000**	465,000
Other current assets	**208,000**	(177,000)
Accounts payable and accrued liabilities	**(363,000)**	(981,000)
Income taxes payable	**12,000**	(1,000)
Net cash provided by operating activities	**2,144,000**	4,007,000
Cash flows from investing activities:		
Additions to oil and gas properties	**(3,565,000)**	(10,368,000)
Proceeds from sale of oil and gas properties	**86,000**	
Changes in other long-term assets	**(117,000)**	(41,000)
Purchase intangible assets		(4,400,000)
Net cash used in investing activities	**(3,596,000)**	(14,809,000)
Cash flows from financing activities:		
Purchase of treasury stock	**(1,114,000)**	(1,152,000)
Proceeds from exercise of stock options	**297,000**	
Net cash provided by (used in) financing activities	**(817,000)**	(1,152,000)
Increase (decrease) in cash and cash equivalents	**(2,269,000)**	(11,954,000)
Cash and cash equivalents:		
Beginning of period	**12,348,000**	22,332,000
End of period	$ **10,079,000**	$ 10,378,000

The accompanying notes are an integral part of these consolidated financial statements.

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CREDO PETROLEUM CORPORATION AND SUBSIDIARIES

Notes To Consolidated Financial Statements (Unaudited)

April 30, 2010

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with U. S. generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U. S. generally accepted accounting principles for complete financial statements. In the opinion of management, the consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the company s results for the periods presented. For a more complete understanding of the company s financial condition and accounting policies, these consolidated financial statements should be read in conjunction with the company s Annual Report on Form 10-K for the fiscal year ended October 31, 2009. The results for interim periods are not necessarily indicative of annual results.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The company bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances. Although actual results may differ from these estimates under different assumptions or conditions, the company believes that its estimates are reasonable and that actual results will not vary significantly from the estimated amounts.

2. CONCENTRATION OF CREDIT RISK

Credo s accounts receivable are primarily from purchasers of the company s oil and natural gas production and from other exploration and production companies which own joint working interests in the properties that the company operates. This industry concentration could adversely impact the company s overall credit risk because the company s customers and working interest owners may be similarly affected by changes in economic and financial market conditions, commodity prices, and other conditions. Credo s oil and gas production is sold to various purchasers in accordance with the company s credit policies and procedures. These policies and procedures take into account, among other things, the creditworthiness of potential purchasers and concentrations of credit risk. For most joint working interest partners, the company has the right of offset against related oil and natural gas revenues.

3. OIL AND NATURAL GAS PROPERTIES

Depreciation, depletion and amortization of oil and natural gas properties for the six months ended April 30, 2010 and 2009 were $1,485,000 and $2,273,000 respectively, and were $740,000 and $1,081,000 for the three months ended April 30, 2010 and 2009, respectively. The company uses the full cost method of accounting for costs related to its oil and natural gas properties. Capitalized costs included in the full cost pool are depleted on an aggregate basis using the units-of-production method. All costs incurred in the acquisition, exploration, and

development of properties (including costs of surrendered and abandoned leaseholds, delay lease rentals, dry holes, and overhead related to exploration and development activities) and the fair value of estimated future costs of site restoration, dismantlement, and abandonment activities are capitalized. Costs for unevaluated properties, which typically include lease rentals, geology and seismic costs, are capitalized but are excluded from the amortizable pool during the evaluation period. When determinations are made whether the property has proved recoverable reserves or not, or if there is an impairment, the costs are reclassified to the full cost pool.

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The capitalized costs in the full cost pool are subject to a quarterly ceiling test that limits such pooled costs to the aggregate of the present value of future net revenues attributable to proved oil and natural gas reserves discounted at 10 percent plus the lower of cost or market value of unproved properties less any associated tax effects. The ceiling test is calculated using oil and natural gas prices in effect as of the balance sheet date. If such capitalized costs exceed the ceiling, the company will record a write-down to the extent of such excess as a non-cash charge to earnings, unless the company considers price increases subsequent to the balance sheet date which may reduce or eliminate a write-down. A write-down may not be reversed in future periods, even though higher oil and natural gas prices may subsequently increase the ceiling.

At April 30, 2010 the estimated present value of future net revenues from proved reserves, net of related income tax considerations, exceeded the capitalized costs of the company s oil and natural gas properties. Therefore, a ceiling test write-down was not required. For the three and six months ended April 30, 2009, the company recorded non-cash ceiling test write-downs of $8,030,000 and $23,726,000 respectively.

Changes in oil and natural gas prices have historically had the most significant impact on the company s ceiling test. In general, the ceiling is lower when prices are lower. Even though oil and natural gas prices can be highly volatile over weeks and even days, the ceiling calculation dictates that prices in effect as of the last day of the test period be used and held constant. The resulting valuation is a snapshot as of that day and, thus, is generally not indicative of a true fair value that would be placed on the company s reserves by the company or by an independent third party. Therefore, the future net revenues associated with the estimated proved reserves are not based on the company s assessment of future prices or costs, but rather are based on prices and costs in effect as of the end of the test period. See Footnote 12 for description of new SEC rules which Credo will adopt, effective October 31, 2010.

4. STOCK-BASED COMPENSATION

For the six months ended April 30, 2010 and 2009, the company recognized stock based compensation expense of $34,000 and $16,000, respectively. For the three months ended April 30, 2010 and 2009, the company recognized stock based compensation expense of $27,000 and $8,000, respectively. The estimated unrecognized compensation cost from unvested stock options as of April 30, 2010 was approximately $171,000 which is expected to be recognized over an average of 2.7 years.

No options were granted during fiscal year 2009. The fair value of the 50,000 options granted during the six months ended April 30, 2010 was estimated as of the grant date using the Black-Scholes option pricing model with the following assumptions: volatility, 51.6%; expected option term, 3 years; risk-free interest rate, 2.69% and; expected dividend yield, 0%. If option grants are made in the future, compensation expense for all such share-based payments granted, based upon the grant-date fair value estimated in accordance with the provisions of FASB ASC 718 will also be included in compensation expense.

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Plan activity for the six months ended April 30, 2010 is set forth below:

	Number of options		Weighted Average Exercise Price		Aggregate Intrinsic Value
Outstanding at October 31, 2009	179,063	$	7.46	$	530,000
Granted	50,000		9.30		
Exercised	(50,000)		5.93		
Cancelled or forfeited					
Outstanding at April 30, 2010	179,063	$	8.40	$	356,000
Exercisable at April 30, 2010	124,063	$	7.86	$	336,000
Weighted average contractual life at April 30, 2010			5.73years		

	Outstanding				Exercisable		
Range of Exercise Prices	Number Outstanding at April 30, 2010	Weighted Average Remaining Contractual Life in Years		Weighted Average Exercise Price	Number Exercisable at April 30, 2009		Weighted Average Exercise Price
$ 5.93	89,063	3.12	$	5.93	89,063	$	5.93
$ 9.30	50,000	9.67	$	9.30		$	9.30
$12.78	40,000	6.60	$	12.78	35,000	$	12.78
$ 5.93 -$12.78	179,063	5.73	$	8.40	124,063	$	7.86

5. OIL AND NATURAL GAS DERIVATIVES

The company is exposed to certain commodity price risks relating to its ongoing operations. The company periodically uses oil and natural gas derivatives as economic hedges of the price of a portion of its estimated production when the potential for significant downward price movement is anticipated. These transactions typically take the form of costless collars for oil, and forward short positions based upon the NYMEX futures market for natural gas, and are closed by purchasing offsetting positions. Such contracts do not exceed estimated production volumes and are authorized by the company s Board of Directors. Contracts are expected to be closed as related production occurs but may be closed earlier if the anticipated downward price movement occurs or if the company believes that the potential for such movement has abated.

For the six months ended April 30, 2010 and 2009, the company had realized gains on natural gas derivatives of $3,000 and $2,275,000, respectively, and unrealized gains (losses) of $36,000 and ($348,000) respectively. For the quarters ended April 30, 2010 and 2009 the company had realized gains on natural gas derivatives of $12,000 and $1,350,000 respectively, and unrealized gains (losses) of $41,000 and ($889,000), respectively.

At April 30, 2010 the company held open derivative contracts representing natural gas short sales positions for 400,000 MMBtus at NYMEX basis prices ranging from $5.31 to $7.27 and covering the production months of May 2010 through December 2010. The company also held open derivative contracts with the same counterparty representing natural gas long positions for 360,000 MMBtus at NYMEX basis prices

ranging from $4.26 to $5.83 and covering the production months of May 2010 through December 2010. These positions are presented net due to the contractual netting provisions with the counterparty. The open derivative contracts net to 40,000 MMBtus with a net unrealized gain of $206,000 at April 30, 2010.

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Average natural gas prices received in the company s primary market have historically been 15% - 17% below NYMEX prices due to basis differentials compared to the current differentials of about 4%.

At April 30, 2010 the company also held natural gas basis differential hedges on 280,000 MMBtus with NYMEX vs. Panhandle Eastern Pipeline basis differentials of $0.47 and covering the production months of May 2010 through December 2010. These open basis differential contracts represent unrealized losses of $66,000 at April 30, 2010.

Subsequent to April 30, the May and June natural gas related derivative contracts closed, resulting in realized derivative gains of $32,000.

At April 30, 2010 the company also held costless collar derivative contracts for 6,000 barrels of oil for the production months of May through October 2010, priced at NYMEX WTI $75.00 floor and $95.00 ceiling. There were no realized gains or losses on these derivatives for the three or six months ended April 30, 2010. Unrealized losses on oil derivative contracts were $12,000 for the three and six month periods ended April 30, 2010. There were no oil hedges in 2009. Subsequent to April 30, the May contract closed, resulting in a realized gain of $1,000. There were no oil hedges in 2009.

The company has a hedging line of credit with its bank which is available, at the discretion of the company, to meet margin calls. To date, the company has not used this facility and maintains it only as a precaution related to possible margin calls. The maximum credit line available is $7,200,000 with interest calculated at the prime rate. The facility is unsecured and has covenants that require the company to maintain $3,000,000 in cash or short term investments, none of which are required to be maintained at the company s bank, and prohibits funded debt in excess of $500,000. The line expires May 1, 2013.

The company has elected not to designate its commodity derivatives as cash flow hedges for accounting purposes. Accordingly, such contracts are recorded at fair value on the balance sheet and changes in fair value are recorded in the statement of operations as they occur.

The location and amount of derivative fair values and related gain (loss) are indicated in the following tables:

Derivatives not designated as hedging instruments:

	As of April 30, 2010		
	Balance Sheet Location		**Fair Value**
Natural Gas Forward Positions	Derivative Asset	$	206,000
Natural Gas Basis Positions	Derivative Liability		(66,000)
Crude Oil Collars	Derivative Liability		(12,000)

Amount of Gain or (Loss) Recognized in Income on Derivatives:

Derivatives not designated as hedging instruments:

	Location of Gain/(Loss) Recognized in Income on Derivatives	Six Months Ended April 30, 2010
Natural Gas Forward Positions	Other Income and (Expense)	$ 107,000
Natural Gas Basis Positions	Other Income and (Expense)	(68,000)
Crude Oil Collars	Other Income and (Expense)	(12,000)

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6. EARNINGS PER SHARE

The company s calculation of earnings per share of common stock is as follows:

	Six Months Ended April 30,					
	2010			2009		
	Net Income	Shares	Net Income Per Share	Net (Loss)	Shares	Net (Loss) Per Share
Basic earnings (loss) per share	**$ 1,242,000**	**10,140,000**	**$ .12**	$ (14,601,000)	10,358,000	$ (1.41)
Effect of dilutive shares of common stock from stock options		**39,000**				
Diluted earnings (loss) per share	**$ 1,242,000**	**10,179,000**	**$ .12**	$ (14.601,000)	10,358,000	$ (1.41)

	Three Months Ended April 30,					
	2010			2009		
	Net Income	Shares	Net Income Per Share	Net Loss	Shares	Net (Loss) Per Share
Basic earnings (loss) per share	**$ 603,000**	**10,187,000**	**$ .06**	$ (4,710,000)	10,330,000	$ (.46)
Effect of dilutive shares of common stock from stock options		**18,000**				
Diluted earnings (loss) per share	**$ 603,000**	**10,205,000**	**$ .06**	$ (4,710,000)	10,330,000	$ (.46)

The company s outstanding options were not included in the calculation of diluted loss per share for the three and six month periods ended April 30, 2009 as their inclusion would have an antidilutive effect.

7. INCOME TAXES

The company uses the asset and liability method of accounting for deferred income taxes. Deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the tax rate in effect at that time. The effective tax rate varies from the statutory rate primarily due to utilization of percent depletion deductions.

The total future deferred income tax liability is complicated for any energy company to estimate due in part to the long-lived nature of depleting oil and gas reserves and variables such as product prices. Accordingly, the liability is subject to continual recalculation, revision of the numerous estimates required, and may change significantly in the event of such things as major acquisitions, divestitures, product price changes, changes in reserve estimates, changes in reserve lives, and changes in tax rates or tax laws.

As of April 30, 2010, the company remains subject to examination of its 2006 and 2008 Federal and 2006 through 2008 state tax returns, except Colorado, in which the 2005 tax year also remains open.

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8. INTANGIBLE ASSETS

The company owns all of the patents underlying the Calliope Gas Recovery Technology and patents covering a new fluid lift technology for shallow wells known as Tractor Seal. The patents are being amortized on a straight line basis over the remaining lives ranging from 7.1 to 16.4 years.

	April 30, 2010	
	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:		
Calliope intangible assets	$ 4,449,000	$ 653,000
Aggregate amortization expense:		
For the six months ended April 30, 2010		$ 217,000

The company reviews the value of its intangible assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. For the six months ended April 30, 2009, the company recorded a non-cash impairment expense of $926,000 related to other intangible assets.

9. FAIR VALUE MEASUREMENTS

The company utilizes derivative contracts to hedge against the variability in cash flows associated with the forecasted sale of its anticipated future natural gas production. These derivatives are carried at fair value on the consolidated balance sheets. Additionally, the company s short-term investments consist primarily of professionally managed limited partnerships which include investments that are not publicly traded and may have less readily determinable market values. Accounting standards established a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

- Level 3 inputs are measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources.

The classification of financial assets or liabilities within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The determination of the fair values below incorporates various factors required under fair value accounting guidance, including the impact of the counterparty s non-performance risk with respect to the company s financial assets and the company s

non-performance risk with respect to the company s financial liabilities. The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of April 30, 2010:

	As of April 30, 2010 (in thousands)			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset:				
Short-term investments	$ 1,815	$	$ 235	$ 2,050
Derivative asset	$	$ 206	$	$ 206
Derivative liability	$	$ (73)	$	$ (73)

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Level 3 instruments are comprised of the company s investments in professionally managed limited partnerships. The fair value represents the net asset value of the company s share in each partnership. The company identified the investments as Level 3 instruments due to the fact that quoted prices for the underlying investments in the partnerships cannot be obtained and there is not an active market for the underlying investments or the partnerships shares. The company utilizes periodic fund statements along with current fund redemption activity and communication with investment advisors to determine the valuation of its investment.

The following table sets forth a reconciliation of changes in the fair value of financial assets and liabilities classified as Level 3 in the fair value hierarchy for the three and six months ended April 30, 2010:

	Three Months Ended April 30, 2010	Six Months Ended April 30, 2010
	(in thousands)	
Balance as of January 31, 2010 and October 31, 2009, respectively(1)	$ 275	$ 342
Total gains (losses):		
Included in earnings(2)	(1)	(12)
Redemptions	(39)	(95)
Balance as of April 30, 2010(1)	$ 235	$ 235

(1) This amount is included in short-term investments on the balance sheet.

(2) This amount is included in investment and other income (loss) on the statement of operations.

10. COMMON STOCK

On September 22, 2008, the company s Board of Directors authorized a stock repurchase program. Under the program, the company could acquire up to $2,000,000 of its common stock. On April 9, 2009, the Board authorized expanding the repurchase program to $4,000,000. The repurchases may be made on the open market, in block trades or otherwise. The stock repurchase program may be expanded, suspended or discontinued at any time. During the quarter ended April 30, 2010, the company acquired 47,978 shares of its common stock at an aggregate cost of $448,000. For the six months ended April 30, 2010, the company acquired 115,435 shares of its common stock at an aggregate cost of $1,114,000. A total of 410,869 shares have been repurchased under the program at an average price per share of $8.90. Subsequent to April 30, 2010 through May 20, 2010, 18,600 shares have been acquired at an average cost per share of $9.25.

11. COMMITMENTS AND CONTINGENCIES

The company has been named as a defendant in a lawsuit alleging breach of contract, and other issues, arising in the normal course of its oil and gas activities. The company believes that a contractual agreement requires that disputes be resolved by arbitration. Although the company believes the allegations are without merit and that the company will ultimately prevail, the ultimate outcome of this lawsuit, or arbitration, cannot be determined at this time.

The company has also been named as a defendant in a lawsuit brought by a former employee. The suit alleges breach of contract and other employment issues. Although the company believes the allegations are without merit and that the company will ultimately prevail, the ultimate outcome of this lawsuit cannot be determined at this time.

The company has no material outstanding commitments at April 30, 2010.

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12. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2010, the FASB issued authoritative guidance that eliminated the requirement to disclose the date through which management evaluated subsequent events in the financial statements. Such subsequent events must still be evaluated by management through the date that financial statements are issued. The new guidance was effective immediately and the company adopted the guidance for financial statements issued subsequent to February 24, 2010. There was no impact on the company s financial position or results of operations as a result of the adoption.

In January 2010, the FASB issued authoritative guidance titled Improving Disclosures about Fair Value Measurements. This guidance amends existing authoritative guidance to require additional disclosures regarding fair value measurements, including the amounts and reasons for significant transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for any transfers into or out of Level 3 of the fair value hierarchy, and presentation on a gross basis of information regarding purchases, sales, issuances, and settlements within the Level 3 rollforward. This guidance also clarifies certain existing disclosure requirements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements within the Level 3 rollforward, which are effective for interim and annual reporting periods beginning after December 15, 2010. The adoption of this authoritative guidance had no impact on our financial position or results of operations, but may require expanded disclosure about fair value measurements.

In December 2008, the Securities and Exchange Commission (SEC) adopted revisions to its oil and gas disclosure requirements that are intended to align them with current practices and changes in technology. Among other things, the amendments will: replace the single-day year-end pricing assumption with a twelve-month average pricing assumption; permit the disclosure of probable and possible reserves; allow the use of certain technologies to establish reserves; require the disclosure of the qualifications of the technical person primarily responsible for preparing the reserves estimates or conducting a reserves audit; require the filing of the independent reserve engineers summary report; and permit the disclosure of a reserves sensitivity analysis table to illustrate the impact of different price and/or cost assumptions on reserves. These amendments are effective for registration statements filed on or after January 1, 2010, and for annual reports on Form 10-K for fiscal years ending on or after December 31, 2009 (October 31, 2010 for the company) with early adoption prohibited. The company is currently evaluating the impact that the adoption of these amendments will have on the company s financial position, results of operations, and disclosures. In January 2010, the Financial Accounting Standards Board (FASB) issued oil and gas reserve estimation and disclosure authoritative accounting guidance effective for reporting periods ending on or after December 31, 2009. This guidance was issued to align the accounting oil and gas reserve estimation and disclosure requirements with the requirements in the Securities and Exchange Commission s (SEC) final rule. The new FASB guidance includes changes to pricing used to estimate oil and gas reserves, broaden the types of technologies that a company may use to establish oil and gas reserves estimates, and broaden the definition of oil and gas producing activities to include the extraction of non-traditional resources.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes certain statements that may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements included in this Quarterly Report on Form 10-Q, other than statements of historical facts, address matters that the company

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reasonably expects, believes or anticipates will or may occur in the future. Forward-looking statements may relate to, among other things:

- the company s future financial position, including working capital and anticipated cash flow;
- amounts and nature of future capital expenditures;
- operating costs and other expenses;
- wells to be drilled or reworked;
- oil and natural gas prices and demand;
- existing fields, wells and prospects;
- diversification of exploration;
- estimates of proved oil and natural gas reserves;
- reserve potential;
- development and drilling potential;
- expansion and other development trends in the oil and natural gas industry;
- the company s business strategy;
- production of oil and natural gas;
- matters related to the Calliope Gas Recovery System;
- effects of federal, state and local regulation;
- insurance coverage;
- employee relations;
- investment strategy and risk; and
- expansion and growth of the company s business and operations.

LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2010, working capital was $12,178,000 compared to $13,542,000 at October 31, 2009. For the six months ended April 30, 2010, net cash provided by operating activities was $2,144,000 compared to $4,007,000 for the same period in 2009. The principle difference resulted from transfers between cash and short term investments. Income before taxes increased $25,593,000 primarily due to impairment losses of $24,652,000 in 2009, an increase in revenue of $1,626,000 and decreased other costs and expenses of $1,052,000 in 2010.

For the six months ended April 30, 2010 and 2009, net cash used in investing activities was $3,596,000 and $14,809,000, respectively. Last year s investment expenditures included $4,400,000 purchase of Calliope patents, $1,600,000 North Dakota Bakken acreage acquisition expenditures, $2,859,000 seismic and drilling expenditures in Central Kansas and $2,235,000 Oklahoma drilling project expenditures. Investing activities primarily included oil and gas exploration and development expenditures, including Calliope, totaling $3,555,000 and $10,368,000 respectively.

Existing working capital and anticipated cash flow are expected to be sufficient to fund operations and capital commitments for at least the next 12 months. At April 30, 2010, the company had no lines of credit or other bank financing arrangements except for the hedging line of credit discussed in Note 5. Because earnings are anticipated to be reinvested in operations, cash dividends are not expected to be paid. The company has no defined benefit plans and no obligations for post retirement employee benefits.

The company s adjusted earnings before interest, taxes, depreciation, depletion and amortization, including impairment losses, (EBITDA) was $3,380,000 for the six months ended April 30, 2010 compared to $3,256,000 for the six months ended April 30, 2009. EBITDA is not a GAAP measure of operating performance. The company uses this non-GAAP performance measure primarily to compare its performance with other companies in the industry that make a similar disclosure. The company believes that this performance measure may also be useful to investors for the same purpose. Investors should not

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consider this measure in isolation or as a substitute for operating income, or any other measure for determining the company s operating performance that is calculated in accordance with GAAP. In addition, because EBITDA is not a GAAP measure, it may not necessarily be comparable to similarly titled measures employed by other companies. Reconciliation between EBITDA and net income is provided in the table below:

	Six Months Ended April 30, 2010		Six Months Ended April 30, 2009	
RECONCILIATION OF EBITDA:				
Net Income (loss)	**$**	**1,242,000**	$	(14,601,000)
Add Back (Deduct):				
Interest Expense				
Income Tax Expense (Benefit)		**415,000**		(9,335,000)
Depreciation, Depletion and Amortization Expense Including Write-Down and Impairment		**1,723,000**		27,192,000
EBITDA	**$**	**3,380,000**	$	3,256,000

OFF-BALANCE SHEET FINANCING

The company has no off-balance sheet arrangements at April 30, 2010.

PRODUCT PRICES AND PRODUCTION

Although product prices are key to the company s ability to operate profitably and to budget capital expenditures, they are beyond the company s control and are difficult to predict. Since 1991, the company has periodically hedged the price of a portion of its estimated natural gas production when the potential for significant downward price movement is anticipated. Hedging transactions typically take the form of forward short positions, swaps and collars which are executed on the NYMEX futures market or by indexing to regional index prices associated with pipelines in proximity to the company s production. The company s current hedges are indexed to NYMEX, except basis hedges which are over the counter.

The oil and natural gas average sales prices reflected in the tables below exclude the effects of commodity derivative instruments. See Note 5 of the Notes to Consolidated Financial Statements and comments at Results of Operations for more information on gains and losses relating to commodity derivative instruments.

	Six Months Ended April 30, 2010			2009			% Change	
Product	**Volume**		**Price**	**Volume**		**Price**	**Volume**	**Price**
Oil (bbls)	**48,500**	**$**	**72.74**	54,800	$	38.63	- 12%	+ 89%
Gas (Mcf)	**523,000**	**$**	**4.89**	647,000	$	3.62	- 19%	+ 35%
	135,700	**$**	**44.86**	162,600	$	27.43	- 17%	+ 64%

BOE (Barrels of Oil Equivalent)

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Product	Three Months Ended April 30, 2010 Volume		2010 Price	2009 Volume		2009 Price	% Change Volume	% Change Price
Oil (bbls)	**25,000**	**$**	**72.31**	38,100	$	39.25	- 35%	+ 84%
Gas (Mcf)	**248,000**	**$**	**4.60**	285,000	$	3.01	- 13%	+ 53%
BOE (Barrels of Oil Equivalent)	**66,200**	**$**	**44.49**	85,600	$	27.49	- 23%	+ 62%

The effect of realized derivative gains and losses on total price realizations are reflected in the following table:

Product		Six Months Ended April 30, 2010 Net Wellhead Price		2010 Realized Derivative Gain (Loss)		2010 Effective Price Realization		2009 Net Wellhead Price		2009 Realized Derivative Gain (Loss)		2009 Effective Price Realization
Oil	**$**	**72.74**	**$**		**$**	**72.74**	$	38.63	$		$	38.63
Gas	**$**	**4.89**	**$**	**0.01**	**$**	**4.90**	$	3.62	$	3.51	$	7.13

Product		Three Months Ended April 30, 2010 Net Wellhead Price		2010 Realized Derivative Gain (Loss)		2010 Effective Price Realization		2009 Net Wellhead Price		2009 Realized Derivative Gain (Loss)		2009 Effective Price Realization
Oil	**$**	**72.31**	**$**		**$**	**72.31**	$	39.25	$		$	39.25
Gas	**$**	**4.60**	**$**	**0.05**	**$**	**4.65**	$	3.01	$	4.74	$	7.75

OPERATIONS

During the first six months of fiscal 2010, the company s operations continued to focus on its two core projects oil and natural gas drilling and application of its patented Calliope Gas Recovery System.

The company believes that, in combination, its drilling and Calliope projects provide an excellent (and possibly unique) balance for achieving its goal of adding long-lived reserves and production at reasonable costs and risks. However, it should be expected that successful results will occur unevenly for both the drilling and Calliope projects. Drilling results are dependent on both the timing of drilling and on the drilling success rate. Calliope results are primarily dependent on the timing, volume and quality of Calliope installations available to the company.

The company will continue to actively pursue adding reserves through its two core projects in fiscal 2010, and expects these activities to be a reliable source of reserve additions. However, the timing and extent of such activities can be dependent on many factors which are beyond the company s control, including but not limited to, the cost and quality of oil field services such as drilling rigs, production equipment and related services, and access to wells for application of the company s patented gas recovery system on low pressure gas wells. The prevailing price of oil and natural gas has a significant effect on demand and, thus, the related cost of such services and wells.

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In recent years, the company has significantly expanded both the volume and breadth of its drilling activities with new projects in central Kansas and North Dakota s Williston Basin. Compared to drilling in Oklahoma, the North Dakota projects involve higher costs and greater risks but significantly higher per well reserve potential. In contrast, drilling in central Kansas is less expensive than the company s Oklahoma drilling projects while still yielding excellent economics.

All of the company s oil and natural gas properties are located on-shore in the continental United States. The company s future drilling activities may not be successful, and its overall drilling success rate may change. Unsuccessful drilling activities could have a material adverse effect on the company s results of operations and financial condition. Also, the company may not be able to obtain the right to drill in areas where it believes there is significant potential for the company.

Recent Drilling Activities.

Bakken Shale At April 30, 2010, the company s first Bakken horizontal well, the Petro Hunt 148-94-17D-08-1H (17-D), has been on production for 79 days and is currently flowing without artificial lift. During initial testing, the well flowed 1,267 barrels of oil and 1.24 million cubic feet of gas, or 1,474 barrels of oil equivalent (Boe), over a 24-hour period. Through the first 90 days the well flowed 40,000 Boe. Credo owns a 10% working interest.

Credo s second horizontal Bakken well, also on the Fort Berthold Reservation, commenced drilling in May. The 147-94-3A-10-1H (3-A) well is being drilled on a 1,280 acre spacing unit located about four miles southeast of the 17-D. The 3-A well will also be operated by Petro-Hunt, and Credo owns an 18.75% working interest.

Credo has leased approximately 8,000 gross (6,000 net) acres on the Ft. Berthold Reservation containing about 50 drillable spacing units. The company s interests range up to 51% depending on the size of the spacing unit. It is expected that more than one well will be drilled on many spacing units.

In Williams County, North Dakota, drilling has commenced on Credo s third horizontal Bakken well, the Brigham Exploration Weisz 11-14#1-H (Weisz). The well is located on a 1,280 acre spacing unit about one mile east of Brigham s Olson 10-15-H well which has produced almost 115,000 Boe in 15 months. Credo owns a 6% working interest and, based on Brigham s exploration plan for the area, expects up to three Bakken wells to be drilled in the spacing unit and potentially three additional wells to develop the deeper Sanish/Three Forks formation.

Horizontal drilling targets the Bakken and Three Forks formations. The company s acreage is generally located south and west of Parshall Field and is in the vicinity of several recently announced significant Bakken discoveries. The Reservation is surrounded on three sides by horizontal Bakken production, and drilling activity on the Reservation is escalating rapidly.

Central Kansas Uplift Last year, Credo discovered a significant new field in Barton County, Kansas in which it owns an 85% working interest. That field has produced over 100,000 barrels of oil in about 15 months. Credo is continuing an aggressive prospect generation and lease

acquisition program. The company has significantly increased its acreage holdings on the Central Kansas Uplift and western Kansas, and currently owns 147,000 gross (85,000 net) acres. The acreage contains 34 blocks in which the company owns interests ranging from 12.5% to 100%.

To date, Credo has drilled 56 wells on its Central Kansas Uplift acreage, of which 45% have been successful. The company is currently drilling two to three wells per month and expects to maintain that pace for the next few years.

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Recent wildcat discoveries include the Campbell #18-1 and the Keith #13-1, both located in Graham County. The Campbell was completed pumping 75 Bopd and establishes first production on a large seismic feature for the area. A second well on this feature is scheduled for June. The Keith is currently awaiting completion after yielding good oil recovery on drill stem tests. This well also establishes production on a prominent seismic feature that has good development potential. Credo owns 27% and 46% working interests in the wells, respectively.

Calliope Gas Recovery Technology

Calliope Gas Recovery System The company is are continuing to actively discuss commercial Calliope terms with several companies. We have demonstrated that Calliope will perform as advertised. Credo has previously published statistics on its Calliope wells which show finding costs of about $0.50 per Mcf and total costs to deliver gas into the pipeline of about $1.00 per Mcf. The statistics also show that Calliope is very low risk when installed on suitable wells.

Credo recently entered into a Calliope license agreement with a mid-sized oil and gas producer to install Calliope on a pilot project. In addition, the company is in late stage discussions with a large independent for a Calliope pilot project over a cross section of applications that will test its efficacy for a large population of wells.

Calliope s low finding and production costs have become increasingly attractive as the economics on many industry drilling projects deteriorate due to lower product prices. We also believe that lower natural gas prices may stimulate divestitures of marginal properties by other companies, including properties that have Calliope potential.

Results of Operations

Six Months Ended April 30, 2010 Compared to Six Months Ended April 30, 2009

For the six months ended April 30, 2010, oil and gas revenues increased 36% to $6,087,000 compared to $4,461,000 during the same period last year. As the oil and gas price/volume table on page 16 shows, oil sales prices increased 89% to $72.74 per barrel and natural gas sales prices increased 35% to $4.89 per Mcf. The net effect of these price changes was to increase oil and gas sales by $2,694,000. On an energy equivalency basis (six Mcf equals one barrel of oil), total first half production was down 17% primarily due to the impact of flush oil production last year from the company s Huslig Field discovery. For the period, oil production was down 12% and natural gas production was down 19%. This resulted in an oil and gas sales decrease of $1,068,000 for the six months ended April 30, 2010. Investment and other income increased $163,000, primarily due to market performance.

For the six months ended April 30, 2010, total costs and expenses, excluding the impairment loss of $24,652,000 in 2009, decreased 19% to $4,500,000 compared to $5,552,000 for the comparable period in 2009. Oil and gas production expenses increased due to additional wells, offset by reduced field level expenses. DD&A decreased primarily due to the effects of the 2009 impairment write-down. General and administrative expenses decreased primarily due to legal and professional fees and decreased salaries and benefits. The effective tax rate was 25% and 39% for the 2010 and 2009 periods, respectively.

Three Months Ended April 30, 2010 Compared to Three Months Ended April 30, 2009

For the three months ended April 30, 2010, total revenues increased 25% to $2,945,000 compared to $2,353,000 during the same period last year. As the oil and gas price/volume table on page 16 shows, oil prices increased 84% to $72.31 per barrel and natural gas sales prices increased 53% to $4.60 per Mcf. The net effect of these price changes was to increase oil and gas sales by $1,713,000. For the second quarter, total production was down 23%, calculated on the energy equivalency basis due to flush

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production from the Huslig Field discovery last year and suspension of drilling for natural gas. For the period, oil production was down 35% and natural gas production was down 13%. The company has concentrated on oil drilling in Central Kansas and North Dakota during 2010 and has not drilled for gas due to low natural gas prices. This production decline resulted in an oil and gas sales decrease of $1,121,000 for the quarter ended April 30, 2010. Investment and other income increased $22,000 due to a generally improved investment environment.

For the three months ended April 30, 2010, total costs and expenses fell 9% to $2,237,000 compared to $2,461,000, excluding the 2009 impairment loss of $8,030,000, for the comparable period in 2009. Oil and gas production expenses increased 8% due to additional wells, partially offset by decreased field level costs. Depreciation, depletion and amortization (DD&A) decreased primarily due to the effects of the 2009 impairment write-down. General and administrative expenses increased primarily due to legal and professional fees. The effective tax rate was 24% and 39% for the 2010 and 2009 periods, respectively.

SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires the company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The company bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances. Although actual results may differ from these estimates under different assumptions or conditions, the company believes that its estimates are reasonable and that actual results will not vary significantly from the estimated amounts. The company believes the following accounting policies and estimates are significant in the preparation of its consolidated financial statements: the carrying value of its oil and natural gas properties, the accounting for oil and natural gas reserves, and the estimate of its asset retirement obligations.

Derivatives The company has elected not to designate its commodity derivatives as cash flow hedges for accounting purposes. Accordingly, such contracts are recorded at fair value on its balance sheet and changes in fair value are recorded in the Consolidated Statements of Operations as they occur.

Oil and Gas Properties The company uses the full cost method of accounting for costs related to its oil and natural gas properties. Capitalized costs included in the full cost pool are depleted on an aggregate basis using the units-of-production method. Depreciation, depletion and amortization is a significant component of oil and natural gas properties. A change in proved reserves without a corresponding change in capitalized costs will cause the depletion rate to increase or decrease.

Both the volume of proved reserves and any estimated future expenditures used for the depletion calculation are based on estimates such as those described under Oil and Gas Reserves below.

The capitalized costs in the full cost pool are subject to a quarterly ceiling test that limits such pooled costs to the aggregate of the present value of future net revenues attributable to proved oil and natural gas reserves discounted at 10 percent plus the lower of cost or market value of unproved properties less any associated tax effects. If such capitalized costs exceed the ceiling, the company will record a write-down to the extent of such excess as a non-cash charge to earnings, unless the company considered price increases subsequent to the quarterly balance sheet date which may reduce or eliminate a write-down. Any such write-down will reduce earnings in the period of occurrence and result in lower depreciation and depletion in future periods. A write-down may not be reversed in future periods, even though higher oil and natural gas prices

may subsequently increase the ceiling.

Changes in oil and natural gas prices have historically had the most significant impact on the company s ceiling test. In general, the ceiling is lower when prices are lower. Even though oil and natural gas prices can be highly volatile over weeks and even days, the ceiling calculation dictates that prices in effect as of

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the last day of the test period be used and held constant. The resulting valuation is a snapshot as of that day and, thus, is generally not indicative of a true fair value that would be placed on the company s reserves by the company or by an independent third party. Therefore, the future net revenues associated with the estimated proved reserves are not based on the company s assessment of future prices or costs, but rather are based on prices and costs in effect as of the end the test period.

Oil and Gas Reserves The determination of depreciation and depletion expense as well as ceiling test write-downs related to the recorded value of the company s oil and natural gas properties are highly dependent on the estimates of the proved oil and natural gas reserves. Oil and natural gas reserves include proved reserves that represent estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. There are numerous uncertainties inherent in estimating oil and natural gas reserves and their values, including many factors beyond the company s control. Accordingly, reserve estimates are often different from the quantities of oil and natural gas ultimately recovered and the corresponding lifting costs associated with the recovery of these reserves. See Footnote 12 for description of new SEC rules which Credo will adopt, effective October 31, 2010.

Asset Retirement Obligations The company estimates the future cost of asset retirement obligations, discounts that cost to its present value, and records a corresponding asset and liability in its Consolidated Balance Sheets. The values ultimately derived are based on many significant estimates, including future abandonment costs, inflation, market risk premiums, useful life, and cost of capital. The nature of these estimates requires the company to make judgments based on historical experience and future expectations. Revisions to the estimates may be required based on such things as changes to cost estimates or the timing of future cash outlays. Any such changes that result in upward or downward revisions in the estimated obligation will result in an adjustment to the related capitalized asset and corresponding liability on a prospective basis.

Revenue Recognition The company derives its revenue primarily from the sale of produced natural gas and crude oil. The company reports revenue gross for the amounts received before taking into account production taxes and transportation costs which are reported as oil and gas production expenses. Revenue is recorded in the month production is delivered to the purchaser at which time title changes hands. The company makes estimates of the amount of production delivered to purchasers and the prices it will receive. The company uses its knowledge of its properties, their historical performance, the anticipated effect of weather conditions during the month of production, NYMEX and local spot market prices, and other factors as the basis for these estimates. Variances between estimates and the actual amounts received are recorded when payment is received.

A majority of the company s sales are made under contractual arrangements with terms that are considered to be usual and customary in the oil and gas industry. The contracts are for periods of up to five years with prices determined based upon a percentage of a pre-determined and published monthly index price. The terms of these contracts have not had an effect on how the company recognizes its revenue.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company manages exposure to commodity price fluctuations by periodically hedging a portion of estimated production through the use of derivatives, typically costless collars for oil and forward short positions in the NYMEX Oklahoma natural gas futures market. At April 30, 2010 the company held open natural gas derivative contracts representing short sales positions for 400,000 MMBtus at NYMEX basis prices ranging from $5.31 to $7.27 and covering the production months of May 2010 through December 2010. The company also held open natural gas derivative contracts with the same counterparty representing long positions for 360,000 MMBtus at NYMEX basis prices ranging from $4.26 to $5.83 and covering the production months of May 2010 through December 2010. These positions are presented net due to the contractual netting provisions with the counterparty. The open derivative contracts net to 40,000 MMBtus with a net unrealized gain of $206,000 at April 30, 2010. Average prices in the company s primary market are currently 0% below NYMEX prices due to basis differentials and transportation costs. However, regional weather conditions and other economic factors can periodically result in substantially higher basis differentials.

At April 30, 2010 the company also held basis differential hedges on 280,000 MMBtus with NYMEX vs. Panhandle Eastern Pipeline basis differentials of $0.47 and covering the production months of May 2010 through December 2010. These open basis differential contracts represent an unrealized loss of $66,000 at April 30, 2010.

See Note 5 to the Consolidated Financial Statements for more information regarding derivative transactions.

ITEM 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Our management, with the participation of Marlis E. Smith, Jr., our Chief Executive Officer, and Alford B. Neely, our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of April 30, 2010. Based on the evaluation, these officers have concluded that:

Our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms; and

Our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There has not been any change in our internal control over financial reporting that occurred during the quarter ended April 30, 2010 that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to Notes to Consolidated Financial Statements (Unaudited) Note 11, Commitments and Contingencies , in Part I, Item I of this Form 10-Q and incorporated by

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reference into this Part II, Item I.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the company s Annual Report on Form 10-K for the fiscal year ended October 31, 2009.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES.

During the first six months of fiscal year 2010, the company repurchased 115,435 shares of its common stock on the open market at a weighted average price of $9.65. The purchases were made pursuant to a stock repurchase plan announced on September 24, 2008 and extended by the Board of Directors on April 9, 2009. The extended plan authorized repurchases up to $4,000,000, but could be expanded, suspended or discontinued at any time. At April 30, 2010, the company has repurchased 410,869 shares of common stock at an average price per share of $8.90. Subsequent to April 30, through May 20, 2010, the company has repurchased an additional 18,600 shares, bringing the total shares repurchased to 429,469 at an average price per share of $8.92.

Issuer Purchases of Equity Securities

Period	**Total number of shares purchased**		**Average price paid per share**	**Total number of shares purchased as part of publicly announced plan**		**Maximum dollar value of shares that may yet be purchased under the plan**
November 1, 2008 October 31, 2009	295,434	$	8.61	295,434	$	1,456,000
November 1 30, 2009	40,937	$	10.19	40,937	$	1,039,000
December 1 31, 2009		$			$	
January 1 31, 2010	26,520	$	9.38	26,520	$	790,000
February 1 28, 2010	23,800	$	8.87	23,800	$	579,000
March 1-31, 2010	7,800	$	9.73	7,800	$	503,000
April 1 30, 2010	16,378	$	9.84	16,378	$	342,014
Total	410,869	$	8.90	410,869	$	342,014

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibits are as follow:

31.1 Certification by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification by Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act (18 U.S.C. Section 1350)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CREDO Petroleum Corporation
(Registrant)

By: /s/ Marlis E. Smith, Jr.
Marlis E. Smith, Jr.
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Alford B. Neely
Alford B. Neely
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: June 9, 2010