

HOUSTON EXPLORATION CO
Form 4
October 26, 2004

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
KARNES JOHN H JR

2. Issuer Name and Ticker or Trading Symbol
HOUSTON EXPLORATION CO
[THX]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction
(Month/Day/Year)
10/22/2004

____ Director
 Officer (give title below)
____ 10% Owner
____ Other (specify below)
Sr. VP and CFO

THE HOUSTON EXPLORATION COMPANY, 1100 LOUISIANA, SUITE 2000

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
____ Form filed by More than One Reporting Person

HOUSTON, TX 77002-5215

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|--|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) | Price | | |
| common stock (\$0.01 par value) ⁽¹⁾ | 10/22/2004 | | A | 5,000 | \$ 59.16 | 5,000 | D |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|
| employee stock options (right to buy) | \$ 59.16 | 10/22/2004 | | A | 11,000 | 10/22/2005 ⁽²⁾ 10/22/2014 ⁽²⁾ | common stock 11, |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|----------------|-------|
| | Director | 10% Owner | Officer | Other |
| KARNES JOHN H JR THE HOUSTON EXPLORATION COMPANY 1100 LOUISIANA, SUITE 2000 HOUSTON, TX 77002-5215 | | | Sr. VP and CFO | |

Signatures

/s/ John H. Karnes
Date: 10/26/2004

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Restricted shares were granted on October 22, 2004 pursuant to the Company's 2004 Long-Term Incentive Plan and are restricted from sale or transfer until fully vested. Restricted shares will vest if Employee continuously remains an employee of the Company or an Affiliate through the earlier of (i) five years from the date of grant or (ii) Employee's continuous service as a Employee with the Company or an Affiliate terminates by reason of death, disability or retirement.
- (2) Employee stock options vest in five equal annual installments beginning on the first anniversary of the grant date and expire 10 years from the grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.