

Ray Robert T
Form 4
October 26, 2006

FORM 4

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

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

OMB APPROVAL

OMB
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Ray Robert T

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)
1100 LOUISIANA ST., SUITE 2000
(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
10/24/2006

____ Director ____ 10% Owner
____X____ Officer (give title ____ Other (specify
below) below)
Sr. VP & C.F.O.

HOUSTON, TX 77002

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

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

(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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
common stock (\$0.01 par value) ⁽¹⁾	10/24/2006		A		7,000	A	\$ 55.5
					14,500	D	

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

**Persons who respond to the collection of
information contained in this form are not
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(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)	\$ 55.5	10/24/2006		A	19,000	10/24/2007 ⁽²⁾ 10/24/2017 ⁽²⁾	common stock 19,

Reporting Owners

Reporting Owner Name / Address	Relationships
Ray Robert T 1100 LOUISIANA ST. SUITE 2000 HOUSTON, TX 77002	Director 10% Owner Officer Other Sr. VP & C.F.O.

Signatures

/s/ Robert T.
Ray 10/26/2006

__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).

Restricted shares were granted pursuant to the Company's Amended and Restated 2004 Long-Term Incentive Plan, and are restricted
(1) from sale or transfer until fully vested. Shares fully vest and restrictions are terminated at the end of three years from the grant date as set forth in the award agreement.

Employee Stock Options were granted pursuant to the Company's Amended and Restated 2004 Long-Term Incentive Plan, and vest in
(2) annual 1/3 increments beginning on the first anniversary of the date of grant and expire 10 years from the date of grant, as set forth in the award agreement.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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