

GOODRICH PETROLEUM CORP  
Form DEF 14A  
April 13, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-11

**GOODRICH PETROLEUM CORPORATION**

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(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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# Goodrich Petroleum Corporation

808 Travis Street

Suite 1320

Houston, Texas 77002

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## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 17, 2007

To Our Stockholders:

Notice is hereby given that the 2007 Annual Meeting of the Stockholders of Goodrich Petroleum Corporation, a Delaware corporation, will be held at the Lancaster Hotel, 701 Texas Avenue, Houston, Texas 77002, on Thursday, May 17, 2007, at 11:00 a.m. local time. At the Annual Meeting, stockholders will be asked to:

1. Elect four Class III directors to our Board of Directors;
2. Ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ended December 31, 2007;
3. Vote upon a proposal to increase the number of outstanding shares of common stock of the Company from 50,000,000 to 100,000,000 shares, by amending the first paragraph of Article IV of the Restated Certificate of Incorporation; and
4. Transact such other business as may properly come before such meeting.

Only stockholders of record at the close of business on April 5, 2007 are entitled to notice of and to vote at the Annual Meeting. For specific voting information, see General Information about the Annual Meeting beginning on page 1 of the enclosed proxy statement. A list of stockholders will be available commencing May 10, 2007 and may be inspected at our offices during normal business hours prior to the Annual Meeting. The list of stockholders will also be available for review at the Annual Meeting. In the event there are not sufficient votes for a quorum or to approve the items of business at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies.

Even if you plan to attend the Annual Meeting, please sign, date and return the enclosed proxy card as promptly as possible to ensure that your shares are represented. If you attend the Annual Meeting, you may withdraw any previously submitted proxy and vote in person.

By Order of the Board of Directors

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Walter G. Gil Goodrich

Vice Chairman and Chief Executive Officer

April 18, 2007

Houston, Texas

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## Goodrich Petroleum Corporation

808 Travis Street

Suite 1320

Houston, Texas 77002

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### PROXY STATEMENT

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These proxy materials are being furnished to you in connection with the solicitation of proxies by the Board of Directors of Goodrich Petroleum Corporation ( we or the Company or Goodrich ), a Delaware corporation, for use at the 2007 Annual Meeting of Stockholders and any adjournments or postponements of the meeting (the Annual Meeting ). The Annual Meeting will be held at the Lancaster Hotel, 701 Texas Avenue, Houston, Texas 77002, on Thursday, May 17, 2007, at 11:00 a.m. local time.

The Notice of Annual Meeting, this proxy statement, the enclosed proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 are being mailed to stockholders beginning on or about April 18, 2007.

### GENERAL INFORMATION ABOUT THE ANNUAL MEETING

#### Why did I receive these proxy materials?

You received these proxy materials from us in connection with the solicitation by our Board of proxies to be voted at the Annual Meeting because you owned our common stock as of April 5, 2007. We refer to this date as the record date.

This proxy statement contains important information for you to consider when deciding how to vote your shares at the Annual Meeting. Please read this proxy statement carefully.

#### What is the purpose of the Annual Meeting?

At the Annual Meeting, our stockholders will act upon the matters outlined in the notice of meeting on the cover of this proxy statement, including the election of four Class III directors to our Board, ratification of the selection of KPMG LLP as our independent registered public accounting firm and a proposal to approve an amendment to our Restated Certificate of Incorporation that would increase the number of authorized shares of common stock from 50,000,000 to 100,000,000.

#### How many votes must be present to hold the Annual Meeting?

There must be a quorum for the Annual Meeting to be held. A quorum is the presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of common stock issued and outstanding on the record date. As of the record date, there were 28,300,801 shares of our common stock outstanding. Consequently, the presence of the holders of at least 14,150,402 shares of common stock is required to establish a quorum for the Annual Meeting. Proxies that are voted FOR, AGAINST or WITHHELD FROM a matter are treated as being present at the Annual Meeting for purposes of establishing a quorum and also treated as shares represented and voting at the Annual Meeting with respect to such matter.

Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business. Abstentions occur when stockholders are present at the Annual Meeting but choose to withhold their vote for any of the matters upon which the stockholders are voting. Broker non-votes occur when other holders of record (such as banks and brokers) that hold shares on behalf of beneficial owners do not receive voting instructions from the beneficial owners before the Annual Meeting and do not have discretionary authority to vote those shares. The effect of abstentions and broker non-votes on each proposal is set forth in more detail under What vote is required to approve each proposal discussed in this proxy statement and how are my votes counted? .



**What is a proxy?**

A proxy is your legal designation of another person to vote the shares that you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card. Your Board has appointed Walter G. Goodrich and Robert C. Turnham, Jr. (the Proxy Holders ) to serve as proxies for the Annual Meeting.

**What does it mean if I receive more than one proxy card?**

If you receive more than one proxy card, then you own our common stock through multiple accounts at the transfer agent and/or with stockbrokers. Please sign and return all proxy cards to ensure that all of your shares are voted at the Annual Meeting.

**Who is participating in this proxy solicitation and who will pay for its cost?**

We will bear the entire cost of soliciting proxies, including the cost of the preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to our stockholders. In addition to this solicitation by mail, our directors, officers and other employees may solicit proxies by use of mail, telephone, facsimile, electronic means, in person or otherwise. These persons will not receive any additional compensation for assisting in the solicitation, but may be reimbursed for reasonable out-of-pocket expenses in connection with the solicitation. We have retained Georgeson Inc. ( Georgeson ) to aid in the solicitation of votes. For these services, we will pay Georgeson a fee of \$7,500 and reimburse it for certain expenses. In addition, we will reimburse brokerage firms, nominees, fiduciaries, custodians and other agents for their expenses in distributing proxy material to the beneficial owners of our common stock.

**What are the recommendations of the Board?**

Unless you give other instructions on your proxy card, the Proxy Holders will vote in accordance with the recommendations of our Board. Our Board recommends that you vote:

*FOR* the nominated slate of directors (see Proposal No. 1);

*FOR* ratification of the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007 (see Proposal No. 2); and

*FOR* the proposal to approve an amendment to our Restated Certificate of Incorporation that would increase the number of authorized shares of common stock from 50,000,000 to 100,000,000 (see Proposal No. 3).

**Could other matters be decided at the Annual Meeting?**

At the time this proxy statement went to press, we did not know of any matters to be raised at the Annual Meeting other than those referred to in this proxy statement.

With respect to any other matter that properly comes before the Annual Meeting, the Proxy Holders will vote as recommended by our Board or, if no recommendation is given, in their own discretion.

**How many votes do I have?**

You are entitled to one vote for each share of common stock that you owned on the record date on all matters considered at the Annual Meeting.

**How do I vote my shares?**

Shares held directly in your name as the stockholder of record can be voted in person at the Annual Meeting or you can provide a proxy to be voted at the Annual Meeting by signing and dating the enclosed proxy card and returning it in the enclosed postage-paid envelope.



If you plan to vote in person at the Annual Meeting, please bring proof of identification. Even if you currently plan to attend the Annual Meeting, we recommend that you also submit your proxy as described above so that your vote will be counted if you later decide not to attend the Annual Meeting.

If you hold your shares in street name (for example, at your brokerage account), please follow the easy instructions provided by your record holder to vote the enclosed proxy card by signing and dating the enclosed proxy card and returning it in the enclosed postage-paid envelope. Shares held in street name may be voted in person by you at the Annual Meeting only if you obtain a signed proxy from your bank, broker or other holder of record (the record holder) giving you the right to vote the shares. If you hold your shares in street name and wish to simply attend the Annual Meeting, please bring proof of ownership and proof of identification.

If you vote by granting a proxy, the Proxy Holders will vote the shares of which you are the stockholder of record in accordance with your instructions. If you submit a proxy without giving specific voting instructions, the Proxy Holders will vote those shares as recommended by our Board.

**Can I change my vote after I return my proxy card?**

Yes. Even after you have returned your proxy card, you may revoke your proxy at any time before it is exercised by (1) submitting a written a notice of revocation to our Secretary by mail to Goodrich Petroleum Corporation, 808 Travis Street, Suite 1320, Houston, Texas 77002 or by facsimile at 713-780-9254, (2) mailing in a new proxy card bearing a later date or (3) attending the Annual Meeting and voting in person, which suspends the powers of the Proxy Holders.

**What vote is required to approve each proposal discussed in this proxy statement and how are my votes counted?**

*Election of Directors.* A plurality of the votes cast is required for the election of directors. This means that the four director nominees receiving the highest number of affirmative votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote will be elected to our Board. You may vote FOR or WITHHOLD AUTHORITY for each director nominee. Broker non-votes and votes marked WITHHOLD AUTHORITY will be counted for purposes of determining the presence or absence of a quorum but have no legal effect on the election of directors under Delaware law.

*Ratification of Appointment of Independent Registered Accounting Firm.* The affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on this proposal is required for approval. You may vote FOR, AGAINST or ABSTAIN on our proposal to ratify the selection of our independent registered public accounting firm. Votes marked ABSTAIN will be counted for purposes of determining the presence or absence of a quorum and will have the same effect as a vote AGAINST the proposal. However, broker non-votes, which will be counted for purposes of determining the presence or absence of a quorum, will have no legal effect on the outcome of this proposal.

*Approval of Amendment to Restated Certificate of Incorporation.* The affirmative vote of the holders of a majority of the outstanding shares entitled to vote on this proposal is required for approval. You may vote FOR, AGAINST or ABSTAIN on our proposal to approve an amendment to our Restated Certificate of Incorporation that would increase the number of authorized shares of common stock from 50,000,000 to 100,000,000. Broker non-votes and votes marked ABSTAIN will be counted for purposes of determining the presence or absence of a quorum and will have the same effect as a vote AGAINST the proposal.

If you hold your shares in street name through a bank, broker or other holder of record, that custodian may not be permitted to exercise voting discretion. Thus, if you do not give your bank, broker or other holder of record specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. However, shares represented by such broker non-votes will be counted in determining whether there is a quorum.

**What is the difference between holding shares as a stockholder of record and holding shares in street name?**

If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are a stockholder of record of these shares, and you are receiving these proxy materials directly from us. As the stockholder of record, you have the right to mail your proxy directly to us or to vote in person at the Annual Meeting.

Most of our stockholders hold their shares in a stock brokerage account or by a bank or other holder of record rather than directly in their own name. If your shares are held in a brokerage account, by a bank or other holder of record (commonly referred to as being held in street name), you are the beneficial owner of these shares and these proxy materials are being forwarded to you by that custodian. As summarized below, there are distinctions between shares held of record and those held beneficially.

**May I propose actions for consideration at the next annual meeting of stockholders or nominate individuals to serve as directors?**

You may submit proposals for consideration at future stockholder meetings, including director nominations. Please see Corporate Governance Director Nomination Process and Stockholder Proposals and Director Nominations for the 2008 Annual Meeting of Stockholders for more details.

**Whom should I contact with questions about the Annual Meeting?**

If you have any questions about this proxy statement or the Annual Meeting, please call our proxy solicitor, Georgeson, toll-free at 1-866-541-3549. Banks and brokers may call collect at 212-440-9800. You may also contact our Secretary at Goodrich Petroleum Corporation, 808 Travis Street, Suite 1320, Houston, Texas 77002.

**Where may I obtain additional information about Goodrich Petroleum Corporation?**

We refer you to our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 filed with the Securities and Exchange Commission on March 14, 2007. Our Annual Report on Form 10-K, including financial statements, is also included with your proxy mailing. The Annual Report is not part of the proxy solicitation material.

If you would like to receive any additional information, please contact our Secretary at Goodrich Petroleum Corporation, 808 Travis Street, Suite 1320, Houston, Texas 77002.

**What is householding and how does it affect me?**

The Securities and Exchange Commission has implemented rules regarding the delivery of proxy materials to households. This method of delivery, often referred to as householding, permits us to send a single annual report and/or a single proxy statement to any household at which two or more different stockholders reside where we believe the stockholders are members of the same family or otherwise share the same address or where one stockholder has multiple accounts. In each case, the stockholder(s) must consent to the householding process. Under the householding procedure, each stockholder continues to receive a separate notice of any meeting of stockholders and proxy card. Householding reduces the volume of duplicate information our stockholders receive and reduces our expenses. We may institute householding in the future and will notify our registered stockholders who will be affected by householding at that time.

Many banks, brokers and other holders of record have instituted householding. If you or your family has one or more street name accounts under which you beneficially own our common stock, you may have received householding information from your bank, broker or other holder of record in the past. Please contact the holder of record directly if you have questions, require additional copies of this proxy statement or our annual report or wish to revoke your decision to household and thereby receive multiple copies. You should also contact the holder of record if you wish to institute householding. These options are available to you at any time.

## CORPORATE GOVERNANCE

### Governance Practices

#### *General*

Our Board believes that adherence to sound corporate governance policies and practices is important in ensuring that we are governed and managed with the highest standards of responsibility, ethics and integrity and in the best interests of our stockholders. As a result, our Board has adopted key governance documents, including Corporate Governance Guidelines, Corporate Code of Business Conduct and Ethics and committee charters, which are intended to reflect a set of core values that provide the foundation for our governance and management systems and our interactions with others.

Copies of these documents are available on our website at <http://www.goodrichpetroleum.com/about.us/corporate.governance.htm> and are also available in print, free of charge, to any stockholder who requests them.

#### *Corporate Governance Guidelines*

Our Board has adopted Corporate Governance Guidelines, which can be viewed on our website at [www.goodrichpetroleum.com/pdf/CorporateGovernanceGuidelines.pdf](http://www.goodrichpetroleum.com/pdf/CorporateGovernanceGuidelines.pdf).

Among other things, the Corporate Governance Guidelines address the following matters:

director qualification standards,

director responsibilities

director access to management and independent advisors,

director compensation,

director orientation and continuing education,

management succession and

annual performance evaluations of our Board

#### *Corporate Code of Business Conduct and Ethics*

Our Corporate Code of Business Conduct and Ethics, which is applicable to our directors, employees, agents and representatives, can be viewed on our website at [www.goodrichpetroleum.com/pdf/CodeofBusinessConductandEthics.pdf](http://www.goodrichpetroleum.com/pdf/CodeofBusinessConductandEthics.pdf).

Any change to, or waiver from, our Corporate Code of Business Conduct and Ethics may be made only by our independent directors and will be disclosed as required by applicable securities laws and listing standards.

### Our Board

#### *Board Size; Director Independence*

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Our Board is currently composed of 10 directors, of which four are currently seeking reelection at the Annual Meeting.

The Board of Directors has determined that to be considered independent, an outside director may not have a direct or indirect material relationship with the Company. A material relationship is one which impairs or inhibits or has the potential to impair or inhibit a director's exercise of critical and disinterested judgment on behalf of the Company and its stockholders. In determining whether a material relationship exists, the Board considers, for example, any transactions between Goodrich and an entity with which a director is affiliated (as an executive officer, partner or substantial stockholder) and whether a director is a current or former employee or consultant of the Company. The Board consults with the Company's counsel to ensure that the Board's

determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent director, including but not limited to those set forth in pertinent listing standards of the New York Stock Exchange as in effect from time to time. The Audit Committee reviews the Board's approach to determining director independence periodically and recommends changes as appropriate for consideration and approval by the full Board.

Consistent with these considerations, the Board has reviewed all the relationships between the Company and the members of the Board and affirmatively has determined that all directors are independent directors except Mr. Walter G. Goodrich and Mr. Robert C. Turnham, Jr., who are employees of the Company; Mr. Henry Goodrich who is the father of Walter G. Goodrich and a consultant to the Company; and Mr. Pat Malloy whose company is involved in several transactions with the Company.

The chart below describes the basis for the Board's determination that the Director is independent. Although service as a director of another company alone is not a material relationship that would impair a director's independence, those relationships have been reviewed and are set forth below.

<b>Director</b>	<b>Relationships Considered</b>	<b>Determination</b>
	<b>Basis</b>	
Josiah T. Austin	Managing Member, El Coronado Holdings, L.L.C.  2002 Burrwood and West Delta 83  transaction	Independent
Geraldine A. Ferraro	Principal, Blank Rome Government Relations  Senior Advisor, The Global Consulting Group	Independent
Gene Washington	Director of Football Operations with the NFL  Director, Delia	Independent
Patrick E. Malloy, III	President and CEO, Malloy Enterprises, Inc.  President, Malloy Energy Company, LLC	Not Independent  See Transactions With Related Persons
Henry Goodrich	Father of Walter G. Goodrich, Vice Chairman  and CEO of the Company  Consulting Agreement	Not Independent  Consultant and family relationship
Michael J. Perdue	President, First Community Bancorp	Independent

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President, Pacific Western Bank

President & CEO, Community Bancorp Inc.

(July 2003-October 2006)

Walter G. Goodrich	Vice Chairman, CEO & Director of Goodrich Petroleum	Not Independent Employee of Company
Arthur A. Seeligson	Managing Partner of Seeligson Oil Company, Ltd.	Independent
John T. Callaghan	Managing Partner, Callaghan & Nawrocki, LLP Director, Andrea Systems, LLC	Independent
Robert C. Turnham, Jr.	President, COO & Director of Goodrich Petroleum Corporation	Not Independent Employee of Company



***Meetings; Annual Meeting Attendance***

Our Board held ten meetings during the fiscal year ended December 31, 2006. Each director, with the exception of Steve Webster, attended at least 75% of the meetings. We do not have a formal policy regarding director attendance at Board meetings. However, our Board must consider a director's history of attendance at Board and committee meetings as well as the director's preparation for and participation in such meetings when considering the director for re-nomination to our Board.

We believe that there are benefits to having members of our Board attend the annual meetings of our stockholders. In 2006, all of our directors attended the meeting in person. From time to time, however, a member of our Board might have a compelling and legitimate reason for not attending an annual meeting. As a result, our Board has decided that director attendance at annual meetings should be strongly encouraged, but not required.

***Executive Sessions and Presiding Director***

To facilitate candid discussion by our non-management directors, the agenda for certain Board and committee meetings provides for a meeting of non-management directors in executive session without any members of management present. Mr. Austin has been designated as the director to preside over executive sessions of non-management directors. Our independent directors meet separately at least once a year in accordance with the listing standards of the NYSE.

***Limitation on Public Company Board Service***

To ensure that each director is able to devote sufficient time to performing his or her duties, the number of other public company boards on which a director may serve is subject to a case-by-case review by the Audit Committee, in its corporate governance role. In addition, the Audit Committee's Charter prohibits committee members from serving on the audit committee of more than two other public company boards unless our Board determines that such simultaneous service does not impair the ability of the director to effectively serve on the Audit Committee.

***Chairman and Chief Executive Officer***

We do not currently have a policy regarding the separation of the roles of the Chairman and Chief Executive Officer. We believe that companies should be allowed the discretion to determine based on the facts and circumstances when it may be appropriate to combine the roles with adequate justification.

***Annual Board Evaluation***

Our Board conducts an annual self-evaluation to determine whether it and its committees are functioning effectively. At least annually, the Chairman of the Board meets with the Chairman of each Committee of the Board and subsequently recommends changes as appropriate for consideration and approval by the full Board.

***Director Orientation and Continuing Education***

Our Board takes measures as it deems appropriate to ensure that its members may act on a fully informed basis. Newly appointed directors are required to become knowledgeable (if not already) about the responsibilities of directors for publicly-traded companies. In addition, we regularly provide our directors with information regarding changes in our business and industry as well as the responsibilities of the directors in fulfilling their duties.

## **Director Nomination Process**

### ***Director Qualifications***

When identifying prospective director nominees, our Board, with assistance from the Audit Committee in its corporate governance role, considers the following:

the person's reputation, integrity and independence;

the person's skills and business, government or other professional experience and acumen, bearing in mind the composition of our Board and the current state of and the energy industry generally at the time of determination;

the number of other public companies for which the person serves as a director and the availability of the person's time and commitment to us;

the person's knowledge of a major geographical area in which we operate; and

the person's age.

In the case of directors being considered for reelection, our Board also takes into account the director's history of attendance at Board and committee meetings, the director's tenure as a member of our Board and the director's preparation for and participation at Board and committee meetings.

### ***Director Nominations***

We do not have a nominating committee of the Board of Directors. Instead, the Board believes it is in the best interests of Goodrich to rely on the insight and expertise of all directors in the nominating process. Generally, when the Chairman of our Board, our Chief Executive Officer or other board member identifies a need to add a new board member who meets specific criteria or to fill a vacancy on the Board, our Board, with assistance from the Audit Committee in its corporate governance role, initiates a search by seeking input from Board members and senior management. Our Board also considers prospective nominees for Board membership suggested by stockholders.

Once a prospective nominee has been identified, the Chairman of our Board and our Chief Executive Officer interviews the candidate and other board members are offered the opportunity to interview the candidate. Following an evaluation of and interview with the candidate, the Chairman of our Board and our Chief Executive Officer make a recommendation to the full Board regarding the candidate. After considering the recommendation, the full Board determines whether or not to extend an offer to the candidate for Board membership.

The Board did not retain, and we did not pay a fee to, any third party to assist in the process of identifying or evaluating prospective director nominees for election at the Annual Meeting, nor did we receive any director nominees put forward by a stockholder or group of stockholders who beneficially own more than 5% of our common stock.

### ***Submission of Stockholder Nominations to our Board***

As discussed above, our Board considers prospective nominees for Board membership suggested by stockholders. For each individual that a stockholder proposes to nominate as a director, the stockholder must provide notice to our Secretary at Goodrich Petroleum Corporation, 808 Travis Street, Suite 1320, Houston, Texas 77002. The notice must set forth all of the information required in solicitations of proxies under the Securities and Exchange Commission's rules and regulations and any other law. Please see *Stockholder Proposals and Director Nominations for the 2008 Annual Meeting of Stockholders* for more details.

**Communications with our Board**

Our Board welcomes communications from our stockholders and other interested parties. Stockholders and any other interested parties may send communications to our Board, to any Board committee, to the Chairman of our Board, or to any director in particular, to:

c/o Goodrich Petroleum Corporation

808 Travis Street, Suite 1320

Houston, Texas 77002

Any correspondence addressed to our Board, any Board committee, the Chairman of our Board or to any one of the directors in care of us is required to be forwarded to the addressee or addressees without review by any person to whom such correspondence is not addressed. Comments or complaints relating to our accounting, internal accounting controls or auditing matters will also be referred to members of the Audit Committee.

**Standing Committees of our Board****Committee Composition**

The following table lists our four Board committees and the directors who currently serve on them.

Director Name	Executive Committee	Hedging Committee	Audit Committee	Compensation Committee
Patrick E. Malloy, III	**	**		
Walter G. Goodrich	*	*		
Henry Goodrich	*			
Arthur A. Seeligson	*		*	*
Michael J. Perdue			**	
John T. Callaghan			*	
Geraldine A. Ferraro			*	
Gene Washington				**
Josiah T. Austin		*		*

\* Member

\*\* Chairman

**Executive Committee**

The Executive Committee is delegated the authority to approve any actions that our Board can approve, except to the extent restricted by law or by our Restated Certificate of Incorporation or Bylaws.

During the fiscal year ended December 31, 2006, the Executive Committee did not hold any meetings.

**Hedging Committee**

The Hedging Committee's principle function is to assist management in establishing pricing and production guidelines to be used by management in entering into oil and gas hedging contracts in order to manage the commodity price risk for a portion of our oil and gas production.

During the fiscal year ended December 31, 2006, the Hedging Committee held two meetings. Each committee member attended at least 75% of the meetings.

**Audit Committee**

Pursuant to its charter, our Audit Committee functions in an oversight role and has the following purposes:

overseeing the quality, integrity and reliability of the financial statements and other financial information we provide to any governmental body or the public;

overseeing our compliance with legal and regulatory requirements;

overseeing the independent auditors' qualifications and independence;

oversee the performance of our internal audit function and independent auditors;

overseeing our systems of internal controls regarding finance, accounting, legal compliance and ethics that our management and our Board has established;

providing an open avenue of communication among our independent auditors, financial and senior management, the internal auditing department, and our Board, always emphasizing that the independent auditors are accountable to the Audit Committee;

preparing the Audit Committee report to be included in our annual proxy statement; and

other duties as are directed by our Board.

In connection with these purposes, the Audit Committee recommends to our Board the independent registered public accounting firm to be engaged to audit our financial statements, meets with the auditors and our financial management to review with them our significant accounting policies and its internal controls, provides opportunities for the auditors to meet with the Audit Committee and management, discusses matters discussed at Audit Committee meetings with the full Board, investigates any matters brought to its attention within the scope of its duties, reviews and assesses the adequacy of the Audit Committee charter on an annual basis, and has general responsibility in connection with related matters.

The Audit Committee was also designated by our Board to perform certain corporate governance functions until such time as we establish a separate corporate governance committee of our Board. Those functions include assisting our Board in identifying individuals qualified to become members of our Board and recommending to our Board the slate of directors to be nominated by our Board at our annual meeting of stockholders and any director to fill a vacancy on our Board. The Audit Committee also assists the Executive Committee in recommending directors to be appointed to committees of our Board, including in the event of vacancies.

Our Board has determined that each member of the Audit Committee is independent under the Securities and Exchange Commission's rules and regulations, the listing standards of the NYSE and our Corporate Governance Guidelines. In addition, our Board has determined that each member of the Audit Committee has the requisite accounting and related financial management expertise under the listing standards of the NYSE. Based on Mr. Perdue's business experience, which is described in more detail under Proposal No. 1 Election of Directors Incumbent Directors, our Board has determined that he qualifies as an audit committee financial expert under the Securities and Exchange Commission's rules and regulations. None of the members of the Audit Committee serve on the audit committee of more than two other public companies.

During the fiscal year ended December 31, 2006, the Audit Committee held five meetings, including quarterly meetings in connection with the preparation and filing of each of our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q for the applicable periods. The Audit Committee also held one additional meeting during the first quarter of the fiscal year ended December 31, 2007 in connection with the preparation and filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006. Each committee member attended at least 75% of the meetings.

#### ***Compensation Committee***

Pursuant to its charter, our Compensation Committee's duties include, among other things, the responsibility to:

review, evaluate, and approve our agreements, plans, policies, and programs to compensate the officers and directors;

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produce an annual report on executive compensation and to publish the report in our proxy statement for our annual meeting of stockholders;

otherwise discharge our Board's responsibilities relating to compensation of our officers and directors; and

perform such other functions as our Board may assign to the Compensation Committee from time to time.

In connection with these purposes, the Compensation Committee conducts a general review of our compensation and benefit plans to ensure that they meet corporate objectives. In addition, based on the recommendations of our Chief Executive Officer, our Compensation Committee makes recommendations to the Board on compensation of all of our officers, the granting of awards under and administering our stock option and other benefit plans, and adopting and changing our major compensation policies and practices.

Our Board has determined that each member of the Compensation Committee is independent under the listing standards of the NYSE and our Corporate Governance Guidelines.

During the fiscal year ended December 31, 2006, the Compensation Committee held 4 meetings. Each committee member attended at least 75% of the meetings.

#### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During the fiscal year ended December 31, 2006, no member of the Compensation Committee (1) was an officer or employee, (2) was formerly an officer or (3) had any relationship requiring disclosure under the rules and regulations of the Securities Exchange Commission.

During the fiscal year ended December 31, 2006, no executive officer of ours served as (1) a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on the Compensation Committee of our Board; (2) a director of another entity, one of whose executive officers served on the Compensation Committee of our Board; or (3) a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Board.

#### **TRANSACTIONS WITH RELATED PERSONS**

##### **Transactions**

##### ***Related Person Transaction with Patrick E. Malloy, III and Josiah T. Austin***

On March 12, 2002, we completed the sale of a 30% working interest in the existing production and shallow rights, and a 15% working interest in the deep rights below 10,600 feet, in our Burrwood and West Delta 83 fields for \$12.0 million to Malloy Energy Company, LLC ( MEC ), led by Patrick E. Malloy, III and participated in by Sheldon Appel, each of whom were members of our Board of Directors at that time, as well as Josiah Austin, who subsequently became a member of our Board of Directors. Mr. Malloy is now Chairman of our Board of Directors and Mr. Appel retired from the Board of Directors in February 2004.

Subsequent to the acquisition of a 30% working interest in the Burrwood and West Delta 83 fields in March 2002, MEC acquired an approximate 30% working interest in three other fields we operated in 2003 and 2004. In accordance with industry standard joint operating agreements, we bill MEC for its share of the capital and operating costs of the three fields on a monthly basis. As of December 31, 2006 and 2005, the amounts billed and outstanding to MEC for its share of monthly capital and operating costs were \$2.1 million and \$0.5 million, respectively, and are included in trade and other accounts receivable at each year-end. Such amounts at each year-end were paid by MEC to us in the month subsequent to billing and the affiliate is current on payment of its billings.

We also serve as the operator for a number of other oil and gas wells owned by Malloy Oil & Gas, LLC, ( MOG ) in which wells we own a 7% after payout working interest. To date, the Company has not invested any funds in these wells. In accordance with industry standard joint operating agreements, we bill MOG for its share of the capital and operating costs of these wells on a monthly basis. As of December 31, 2006 and 2005, the amounts billed and outstanding to MOG for its share of monthly capital and operating costs were \$19,000 and \$31,000, respectively, and are included in trade and other accounts receivable at each year-end. Such amounts at each year-end were paid by MOG to us in the month subsequent to billing and MOG is current on payment of its billings.

Additionally, we also serve as the operator for a number of other oil and gas wells owned by an affiliate of MEC whereby we do not have a working interest. In accordance with industry standard joint operating agreements, we bill the affiliate for its share of the capital and operating costs of these wells on a monthly basis. As of December 31, 2006 and 2005, the amounts billed and outstanding to the affiliate for its share of monthly capital and operating costs were \$81,000 and \$145,000, respectively, and are included in trade and other accounts receivable at each year-end. Such amounts at each year-end were paid by the