

GOODRICH PETROLEUM CORP  
Form DEF 14A  
April 11, 2012  
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**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**

Filed by the Registrant  [X]

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))

[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to § 240.14a-12

**GOODRICH PETROLEUM CORPORATION**

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

[X] 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:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:



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**Goodrich Petroleum Corporation**

801 Louisiana Street

Suite 700

Houston, Texas 77002

April 15, 2012

To Our Stockholders:

It is my pleasure to invite you to the 2012 Annual Meeting of Stockholders of Goodrich Petroleum Corporation, to be held at the Four Seasons Hotel, located at 1300 Lamar Street, Houston, Texas, 77010, in the Fairfield Room, on Thursday, May 17, 2012, at 11:00 a.m. Central Daylight Time (the Annual Meeting ).

Details of the business to be conducted at the Annual Meeting are provided in the attached Notice of Annual Meeting and Proxy Statement. Additionally, enclosed with the proxy materials is our Annual Report to Stockholders for the year ended December 31, 2011.

You received these materials with a proxy card that indicates the number of votes that you will be entitled to cast at the Annual Meeting according to our records or the records of your broker or other nominee. Our board of directors has determined that owners of record of our common stock at the close of business on April 5, 2012 are entitled to notice of, and have the right to vote at, the Annual Meeting and any reconvened meeting following any adjournment or postponement of the meeting.

On behalf of the Board of Directors and our employees, I would like to express my appreciation for your continued interest in our affairs.

By Order of the Board of Directors

Walter G. Gil Goodrich

Vice Chairman and Chief Executive Officer

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**Goodrich Petroleum Corporation**

801 Louisiana Street

Suite 700

Houston, Texas 77002

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY 17, 2012**

To Our Stockholders:

Notice is hereby given that the 2012 Annual Meeting of the Stockholders of Goodrich Petroleum Corporation, a Delaware corporation, will be held at the Four Seasons Hotel, located at 1300 Lamar Street, Houston, Texas, 77010, in the Fairfield Room, on Thursday, May 17, 2012, at 11:00 a.m. Central Daylight Time (the Annual Meeting ).

At the Annual Meeting, stockholders will be asked to:

1. Elect three Class II directors to our Board of Directors;
2. Ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ended December 31, 2012;
3. Approve, on an advisory basis, the compensation of our Named Executive Officers as described in Compensation Discussion and Analysis ; 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, 2012 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 7, 2012 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.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to promptly vote and submit your proxy. You may vote by telephone, Internet or mail. To vote by telephone, call 1-800-PROXIES (1-800-776-9437) using a touch-tone phone to transmit your voting instructions up until 11:59 p.m. (EDT) the day before the Annual Meeting date. Have your proxy card in hand when you call and then follow the instructions. To vote electronically, access [www.voteproxy.com](http://www.voteproxy.com) over the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. (EDT) the day before the Annual Meeting date. Have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form. You may vote by mail by signing, dating and returning the enclosed proxy card in the enclosed envelope. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy.

By Order of the Board of Directors

Michael J. Killelea

Senior Vice President, General Counsel and Corporate Secretary

April 15, 2012

Houston, Texas

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**Important Notice Regarding the Availability of Proxy Materials**

**For the Annual Meeting of Stockholders to be Held on May 17, 2012**

**The Notice of Annual Meeting of Stockholders, our Proxy Statement and our Annual Report are available at  
<http://www.RRDEZProxy.com/2012/GoodrichPetroleumCorp>**

The following proxy materials are available for review at

**<http://www.RRDEZProxy.com/2012/GoodrichPetroleumCorp>**

our 2012 Proxy Statement;

the proxy card; and

our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

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**Goodrich Petroleum Corporation**

**801 Louisiana Street**

**Suite 700**

**Houston, Texas 77002**

**PROXY STATEMENT**

These proxy materials are being furnished to you in connection with the solicitation of proxies by the Board of Directors (the **Board**) of Goodrich Petroleum Corporation (we or the **Company** or **Goodrich**), a Delaware corporation, for use at the 2012 Annual Meeting of Stockholders and any adjournments or postponements of the meeting (the **Annual Meeting**). The Annual Meeting will be held at the Four Seasons Hotel, located at 1300 Lamar Street, Houston, Texas, 77010, in the Fairfield Room, on Thursday, May 17, 2012, at 11:00 a.m. Central Daylight Time. The Notice of Annual Meeting, this proxy statement, the enclosed proxy card and our Annual Report to Stockholders for the fiscal year ended December 31, 2011 (the **Annual Report**) are being mailed to stockholders beginning on or about April 15, 2012.

**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 the close of business on April 5, 2012. 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:

1. The election of three Class II directors to our Board of Directors;
2. The ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ended December 31, 2012;
3. Approval, on an advisory basis, of the compensation of our Named Executive Officers as described in **Compensation Discussion and Analysis**; and
4. The transaction of such other business as may properly come before such meeting.

**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 and entitled to vote at the Annual Meeting on the record date. As of the record date, there were 36,340,527 shares of our common stock outstanding. Consequently, the presence of the holders of at least 18,170,264 shares of common stock is required to establish a quorum for the Annual Meeting. Proxies that are voted **FOR**, **AGAINST** or **WITHHELD** 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



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receive voting instructions from the beneficial owners before the Annual Meeting and do not have discretionary authority to vote those shares. The New York Stock Exchange's (the "NYSE") Rule 452 restricts when brokers who are record holders of shares may exercise discretionary authority to vote those shares. With respect to the Annual Meeting, Rule 452 prohibits such brokers from exercising discretionary authority (i) in the election of our Class II directors, and (ii) in the approval, on an advisory basis, of the compensation of our Named Executive Officers. Such brokers may exercise discretionary authority with respect to the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm. 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. The 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 Phoenix Advisory Partners ("Phoenix") to aid in the solicitation of proxies for the Annual Meeting. For these services we will pay Phoenix a fee of \$8,000. 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 Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012 (see Proposal No. 2); and

***FOR*** the approval of the compensation of the Named Executive Officers (see Proposal No. 3).

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

As of the date of this proxy statement, we are not aware 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.



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### **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. You may vote by telephone, Internet or mail. To vote by telephone, call 1-800-PROXIES (1-800-776-9437) using a touch-tone phone to transmit your voting instructions up until 11:59 p.m. (EDT) the day before the Annual Meeting date. Have your proxy card in hand when you call and then follow the instructions. To vote electronically, access [www.voteproxy.com](http://www.voteproxy.com) over the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. (EDT) the day before the Annual Meeting date. Have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form. You may vote by mail by signing, dating and returning the enclosed proxy card in the enclosed 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 instructions provided by your bank, broker or other holder of record (the 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 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 at the Annual Meeting by (1) submitting a written notice of revocation to our Corporate Secretary by mail to Goodrich Petroleum Corporation, 801 Louisiana Street, Suite 700, Houston, Texas 77002 or by facsimile at 713-780-9254 prior to the date of the Annual Meeting, (2) timely submitting a proxy with new voting instructions using the telephone or Internet voting options or 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?**

The presence of the holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting, in person or represented by proxy, is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum.

**Election of Directors.** A plurality of the votes of the shares present in person or represented by proxy and entitled to vote on this proposal is required for the election of directors. This means that the three director nominees receiving the highest number of affirmative votes at the Annual Meeting will be elected to our Board. You may vote FOR ALL NOMINEES, WITHHOLD AUTHORITY FOR ALL NOMINEES or FOR ALL EXCEPT for the director nominees. As described above, if you hold your shares in street name through a bank, broker or other holder of record and do not provide timely instructions, that record holder may not exercise discretionary authority and a broker non-vote will occur. Broker non-votes and votes marked WITHHOLD

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AUTHORITY or FOR ALL EXCEPT (with respect to the nominees for which authority is withheld) will 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. As described above, if you hold your shares in street name through a bank, broker or other holder of record and do not provide timely instructions, that record holder may exercise discretionary authority, thereby avoiding a broker non-vote. Votes marked ABSTAIN will have the same effect as a vote AGAINST the proposal.

***Approval, on an Advisory Basis, of the Compensation of our Named Executive Officers.*** 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 the advisory approval of the compensation of our Named Executive Officers. As described above, if you hold your shares in street name through a bank, broker or other holder of record and do not provide timely instructions, that record holder may not exercise discretionary authority and a broker non-vote will occur. Broker non-votes and votes marked ABSTAIN will have the same effect as a vote AGAINST the proposal.

**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, AST, 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 the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote and are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares. Your broker, bank or other nominee has enclosed or provided a voting instruction form for you to use in directing the broker, bank or other nominee how to vote your shares.

**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 2013 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 contact our Corporate Secretary at Goodrich Petroleum Corporation, 801 Louisiana Street, Suite 700, Houston, Texas 77002.

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

We refer you to our Annual Report filed with the Securities and Exchange Commission ( SEC ) on February 24, 2012. 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 Corporate Secretary at Goodrich Petroleum Corporation, 801 Louisiana Street, Suite 700, Houston, Texas 77002.

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

The SEC 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 stockholders 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.



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### **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 [www.goodrichpetroleum.com/about.us/corporate.governance.htm](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***

Our Board is currently composed of 10 directors, three of whom are currently seeking re-election at the Annual Meeting.

In determining director independence, the Nominating and Corporate Governance Committee reviews the relationships between the Company and each director and reports the results of its review to the Board. The Board uses this information to aid it in making its determination of independence. The Board has determined that

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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 the Company 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 legal 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 NYSE as in effect from time to time.

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. Patrick E. Malloy, III, 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>
Josiah T. Austin	Managing Member, El Coronado Holdings, L.L.C.	<b>Basis</b> Independent
Peter D. Goodson	Director, Novogen LTD Operating Partner of Dubilier & Co.,  Lead Member of the Mekong Capital Advisory Board,  a Vietnamese private equity firm	Independent
Gene Washington	Director, dELIA*s, Inc.	Independent
Patrick E. Malloy, III	Director, GP Strategies President and CEO, Malloy Enterprises, Inc.  President, Malloy Energy Company, LLC	Not Independent  See Transactions With
Henry Goodrich	Father of Walter G. Goodrich, Vice Chairman  and CEO of the Company	Related Persons Not Independent  Consultant and
Michael J. Perdue	President, PacWest Bancorp	family relationship Independent
Walter G. Goodrich	President, Pacific Western Bank Vice Chairman, CEO & Director of Goodrich	Not Independent
Arthur A. Seeligson Stephen M. Straty	Petroleum Corporation Managing Partner of Seeligson Oil Company, Ltd. Managing Director	Employee of Company Independent Independent
Robert C. Turnham, Jr.	Jefferies & Company, Inc. President, COO & Director of	Not Independent



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### ***Board Meetings, Annual Meeting Attendance***

Our Board held seven meetings during the fiscal year ended December 31, 2011. Each director 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 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. 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. In 2011, all but one of our directors attended the annual meeting in person.

### ***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 Nominating and Corporate Governance Committee. 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***

Currently, our Board has determined that it is most appropriate for us to separate the roles of Chairman and Chief Executive Officer in order to enhance corporate governance and management oversight. The Board believes that a board leadership structure in which the Chairman and CEO positions are separated is most appropriate for the Company because it separates the leadership of the Board from the day-to-day leadership of the Company. The Board believes that a separate Chairman better positions the Board to evaluate the performance of management and more efficiently facilitates the communication of the views of the directors. However, 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. The Board regularly deliberates and discusses its appropriate leadership structure and the role and responsibilities of the Chairman.

Patrick E. Malloy, III serves as Chairman of the Board. Mr. Malloy possesses a deep understanding of the Company and our business and industry, which puts him in the best position to lead our Board. The Chairman is charged primarily with:

presiding over meetings of our Board and stockholders;

establishing an agenda for each Board meeting in collaboration with our CEO and meeting with our CEO following each meeting to discuss any open issues and follow-up items;

facilitating and coordinating communication among the non-management directors and our CEO and an open flow of information between management and our Board;

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providing assistance to our CEO by attending selected internal business management meetings and meeting with our CEO as necessary;

coordinating the periodic review of management's strategic plan;

working with management on effective stockholder communication; and

performing such other duties and services as our Board may require.

### ***Our Board's Role in Risk Oversight***

Our Board generally administers its risk oversight function through the board as a whole. Our Chief Executive Officer, who reports to the Board, and the other executives named in this proxy statement, who report to our Chief Executive Officer, have day-to-day risk management responsibilities. Each of these executives attends the meetings of our Board, where the Board routinely receives reports on our financial results, the status of our operations and our safety performance, and other aspects of implementation of our business strategy, with ample opportunity for specific inquiries of management. The Audit Committee provides additional risk oversight through its quarterly meetings, where it receives a report from our Chief Financial Officer and our Controller, and reviews our contingencies, significant transactions and subsequent events, among other matters, with management and our independent auditors. In addition, our Hedging Committee assists 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.

### ***Annual Board Evaluation***

The Nominating and Corporate Governance Committee is responsible for the Board evaluation process. Following the end of each fiscal year, the Nominating and Corporate Governance Committee requests that the Chairman of each committee report to the full Board about the committee's annual evaluation of its performance and evaluation of its charter. In addition, the Nominating and Corporate Governance Committee receives comments from all directors and reports to the full Board with an assessment of the Board's and management's performance each fiscal year.

### ***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. The Nominating and Corporate Governance Committee evaluates general education and orientation programs for our directors. Newly appointed directors are required to become knowledgeable (if not already) about the responsibilities of directors for publicly traded companies. In addition, we 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 Nominating and Corporate Governance Committee, considers the following:

the prospective nominee's reputation, integrity and independence;

the prospective nominee'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; and



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

Although we do not have a formal policy for the consideration of diversity in identifying director nominees, the Nominating and Corporate Governance Committee believes that the backgrounds and qualifications of the directors, considered as a group, should provide a diverse mix of skills, knowledge, attributes and experiences that cover the spectrum of areas that affect our business. The Nominating and Corporate Governance Committee regularly assesses whether the mix of skills, experience and background of our Board as a whole is appropriate for us.

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

### ***Review of Directors***

In addition to meeting the above criteria, each of our current directors also bring a strong and unique background and set of skills to the Board, giving the Board as a whole, competence and experience in a wide variety of areas. Set forth below are the conclusions reached by the Board with regard to its directors.

Mr. Austin brings his many years of experience as a successful rancher and independent businessman to the Board. Mr. Austin serves and has served on numerous corporate and civic boards, including other publicly traded companies.

Mr. Goodson brings his years of experience in advising corporate leaders i