

GULFPORT ENERGY CORP  
Form DEF 14A  
April 30, 2012  
Table of Contents

**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

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 under § 240.14a-12

**Gulfport Energy 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)(1) 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 written preliminary materials.

**Table of Contents**

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
  
- 2) Form, Schedule or Registration Statement No.:
  
- 3) Filing Party:
  
- 4) Date Filed:

**Table of Contents**

**14313 North May Avenue, Suite 100**

**Oklahoma City, Oklahoma 73134**

**NOTICE OF**

April 30, 2012

**2012**

**ANNUAL  
STOCKHOLDERS  
MEETING**

**Dear Gulfport Energy Corporation Stockholder:**

On behalf of your board of directors and management, you are cordially invited to attend the Annual Meeting of Stockholders to be held at 14313 N. May Avenue, Suite 100, Oklahoma City, Oklahoma 73134 on Thursday, June 7, 2012, at 10:00 a.m.

**and**

**PROXY STATEMENT**

It is important that your shares be represented at the meeting. Whether or not you plan to attend the meeting, please complete and return the enclosed proxy card in the accompanying envelope. Please note that submitting a proxy will not prevent you from attending the meeting and voting in person.

**Thursday**

You will find information regarding the matters to be voted on at the meeting in the enclosed proxy statement. Our 2011 Annual Report to Stockholders is either enclosed with these materials or has previously been mailed to you. This proxy statement and our 2011 Annual Report to Stockholders are also available on our website at [www.gulfportenergy.com/proxy](http://www.gulfportenergy.com/proxy).

**June 7, 2012**

In addition to the formal items of business to be brought before the meeting, there will be a report on our operations, followed by a question and answer period. Your interest in Gulfport Energy Corporation is appreciated. We look forward to seeing you on June 7, 2012.

10:00 a.m. local time

Sincerely,

**14313 N. May Avenue,**

**Suite 100, Oklahoma City, Oklahoma  
73134**

James D. Palm  
*Chief Executive Officer*

Mike Liddell  
*Chairman of the Board*

**Table of Contents**

**GULFPORT ENERGY CORPORATION**

**14313 North May Avenue, Suite 100**

**Oklahoma City, Oklahoma 73134**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON JUNE 7, 2012**

To our Stockholders:

The Annual Meeting of Stockholders of Gulfport Energy Corporation will be held on June 7, 2012 at 10:00 a.m., local time, at 14313 North May Avenue, Suite 100, Oklahoma City, Oklahoma 73134, for the following purposes:

1. To elect six directors to serve until the Company's 2013 Annual Meeting of Stockholders;
  2. To hold an advisory vote on the Company's executive compensation;
  3. To ratify the appointment of Grant Thornton LLP as the Company's independent auditors for the fiscal year ending December 31, 2012; and
  4. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.
- Your vote is important. Please carefully consider the proposals and vote in one of these ways:

Mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope; or

Submit a ballot at the Annual Meeting.

Only stockholders of record at the close of business on April 24, 2012 or their proxy holders may vote at the meeting.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 7, 2012.** This proxy statement and the Company's 2011 Annual Report to Stockholders are available on the Company's website at [www.gulfportenergy.com/proxy](http://www.gulfportenergy.com/proxy).

By Order of the Board of Directors,

Michael G. Moore

*Chief Financial Officer and Secretary*

This notice and proxy statement are first being mailed to stockholders on or about May 10, 2012.

**Table of Contents**

**GULFPORT ENERGY CORPORATION**

14313 North May Avenue, Suite 100

Oklahoma City, Oklahoma 73134

**PROXY STATEMENT**

**TABLE OF CONTENTS**

<u>About the Annual Meeting</u>	1
<u>Board of Directors Information</u>	4
<u>Election of Directors and Director Biographies</u>	5
<u>Corporate Governance Matters and Communications with the Board</u>	9
<u>Code of Business Conduct and Ethics</u>	10
<u>Nominating Process For Directors, Director Qualifications and Review of Director Nominees</u>	10
<u>Director Leadership Structure</u>	11
<u>Board of Director s Role in Risk Oversight</u>	12
<u>Audit Committee Report</u>	13
<u>Executive Officers</u>	15
<u>Executive Compensation</u>	16
<u>Compensation Discussion And Analysis</u>	16
<u>Compensation Components</u>	20
<u>Report of the Compensation Committee on Executive Compensation</u>	24
<u>Compensation Committee Interlocks and Insider Participation</u>	24
<u>Compensation Tables</u>	25
<u>Retirement Plans</u>	27
<u>401(k) Plan</u>	27
<u>Amended and Restated 2005 Stock Incentive Plan</u>	28
<u>Employment Agreements</u>	29
<u>Stock Ownership</u>	31
<u>Holdings of Major Stockholder</u>	31
<u>Holdings of Officers and Directors</u>	32
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	33
<u>Certain Relationships and Related Transactions</u>	34
<u>Review and Approval of Related Party Transactions</u>	34
<u>Administrative Services Agreements</u>	34
<u>Services Provided to Us by Our Affiliates</u>	34
<u>Our Investments in Affiliates and Related Agreements</u>	35
<u>Area of Mutual Interest and Related Agreements</u>	36
<u>Proposal to Approve, on an Advisory Basis, the Company s Executive Compensation</u>	38
<u>Proposal to Ratify the Appointment of Our Independent Auditors</u>	39
<u>Solicitation by Board: Expenses of Solicitation</u>	40
<u>Submission of Future Stockholder Proposals</u>	40
<u>Availability of Form 10-K and Annual Report to Stockholders</u>	40

Householding  
Other Matters

41  
41



**Table of Contents**

**About the Annual Meeting**

**Who is soliciting my vote?**

The board of directors of Gulfport Energy Corporation, which we refer to as Gulfport, the Company and we in this proxy statement, is soliciting your vote at the 2012 Annual Meeting of Stockholders. In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, and consistent with the advisory vote of the Company's stockholders obtained in 2011, the Company's board of directors is providing the Company's stockholders with a non-binding advisory vote on, among other proposals, the Company's executive compensation. This and other proposals to be voted on by the Company's stockholders at the 2012 Annual Meeting of Stockholders are described in more detail below.

**What am I voting on?**

You are voting on:

The election of directors (*see Proposal 1 beginning on page 5*);

Approving, on an advisory basis, the compensation paid to the Company's named executive officers as reported in this proxy statement (*see Proposal 2 on page 38*);

The ratification of Grant Thornton LLP as our independent auditors for 2012 (*see Proposal 3 beginning on page 39*); and

Any other business properly coming before the meeting.

**How does the board of directors recommend that I vote my shares?**

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of our board of directors. The board of directors' recommendation can be found with the description of each item in this proxy statement. In summary, the board of directors recommends a vote:

FOR the proposal to elect nominated directors;

FOR approving, on an advisory basis, the compensation paid to the Company's named executive officers as reported in this proxy statement (*see page 38*);

FOR the proposal to ratify Grant Thornton LLP as the Company's independent auditors for 2012.

**Who is entitled to vote?**

You may vote if you were the record owner of our common stock as of the close of business on April 24, 2012. Each share of common stock is entitled to one vote. As of April 24, 2012, we had 55,649,717 shares of common stock outstanding and entitled to vote, excluding 342,502 shares of our restricted common stock granted under our Amended and Restated 2005 Stock Incentive Plan, but not yet vested. There is no cumulative voting.

**How many votes must be present to hold the meeting?**

## Edgar Filing: GULFPORT ENERGY CORP - Form DEF 14A

Your shares are counted as present at the Annual Meeting if you attend the meeting and vote in person or if you properly return a proxy by mail. In order for us to hold our meeting, holders of a majority of the voting power of our outstanding shares of common stock as of the close of business on April 24, 2012 must be present in person or by proxy at the meeting. This is referred to as a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the meeting.

## **Table of Contents**

### **What is a broker non-vote?**

If a broker does not have discretion to vote shares held in street name on a particular proposal and does not receive instructions from the beneficial owner on how to vote those shares, the broker may return the proxy card without voting on that proposal. This is known as a *broker non-vote*. No broker may vote your shares without your specific instructions on any of the proposals to be considered at the Annual Meeting other than the ratification of our independent auditors.

### **How many votes are needed to approve each of the proposals?**

The six nominees for election as directors at the Annual Meeting who receive the highest number of FOR votes will be elected as directors. This is called plurality voting. Unless you indicate otherwise on your proxy card, the persons named as your proxies will vote your shares FOR all the nominees for director named in Proposal 1.

Proposals 2 and 3 require the affirmative FOR vote of a majority of the votes cast by the stockholders present in person or represented by proxy at the Annual Meeting and entitled to vote thereon. Only votes for or against these proposals will be counted as votes cast.

Abstentions and broker non-votes will not be counted for voting purposes and will have no effect on the result of the vote on any of the proposals presented at the Annual Meeting.

### **How do I vote?**

You can vote either *in person* at the meeting or *by proxy* without attending the meeting.

To vote by proxy, you must fill out the enclosed *proxy card*, date and sign it, and return it in the enclosed postage-paid envelope.

Even if you plan to attend the meeting, we encourage you to vote your shares by proxy. If you plan to vote in person at the Annual Meeting, and you hold your stock in street name, you must obtain a proxy from your broker and bring that proxy to the meeting.

### **Can I change my vote?**

Yes. You can change or revoke your vote at any time before the polls close at the Annual Meeting. You can do this by:

Signing another proxy card with a later date and returning it to us prior to the meeting;

Sending our Corporate Secretary a written document revoking your earlier proxy; or

Voting again at the meeting.

### **Who counts the votes?**

We have hired Computershare Trust Company, N.A., our transfer agent, to count the votes represented by proxies cast by mail or ballot. Employees of Computershare Trust Company, N.A. will act as inspectors of election.

### **Will my vote be confidential?**

Yes. As a matter of Company policy, proxies, ballots and voting tabulations that identify individual stockholders are treated as confidential. Only the tabulation agent and the inspectors of election have access to your vote. Directors and employees of the Company may see your vote only if there is a contested proxy solicitation, as required by law or in certain other special circumstances.



## **Table of Contents**

### **Will my shares be voted if I don't provide my proxy and don't attend the Annual Meeting?**

If you do not provide a proxy or vote your shares held in your name, your shares will not be voted.

If you hold your shares in street name, your broker may be able to vote your shares for certain routine matters even if you do not provide the broker with voting instructions. The ratification of Grant Thornton LLP as our independent auditors for 2012 is considered routine. For matters not considered routine, if you do not give your broker instructions on how to vote your shares, the broker will return the proxy card without voting on that proposal. This is a broker non-vote. The proposals to elect directors and to approve, on an advisory basis, the Company's executive compensation are not considered routine. As a result, no broker may vote your shares on the proposals to elect directors and to approve, on an advisory basis, the Company's executive compensation without your specific instructions.

### **How are votes counted?**

In the election of directors contemplated by Proposal 1, you may vote FOR all of the nominees or your vote may be WITHHELD with respect to one or more of the nominees. For Proposals 2 and 3, you may vote FOR, AGAINST or ABSTAIN.

### **What if I return my proxy but don't indicate my vote on the matters listed on my proxy card?**

If you return a signed proxy card without indicating your vote, your shares will be voted FOR the director nominees listed on the card, FOR approving, on an advisory basis, the Company's executive compensation as described in this proxy statement and FOR the ratification of Grant Thornton LLP as our independent auditors for 2012.

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

We have not received any stockholder proposals and are not aware of any other matters that will be considered at the Annual Meeting. If any other matters arise at the Annual Meeting, the persons named in your proxies will vote in accordance with their best judgment.

### **Who can attend the meeting?**

The Annual Meeting is open to all holders of our common stock.

### **What do I need to bring to attend the Annual Meeting?**

You will need proof of ownership of our common stock to enter the meeting. If your shares are in the name of your broker or bank or other nominee, you will need to bring evidence of your stock ownership, such as your most recent brokerage statement. All stockholders will be required to present valid picture identification. IF YOU DO NOT HAVE VALID PICTURE IDENTIFICATION AND PROOF THAT YOU OWN SHARES OF OUR STOCK, YOU MAY NOT BE ADMITTED INTO THE MEETING.

### **How can I access the Company's proxy materials and annual report electronically?**

This proxy statement and the Company's 2011 Annual Report to Stockholders are available on the Company's website at [www.gulfportenergy.com/proxy](http://www.gulfportenergy.com/proxy).

## **Table of Contents**

### **Board of Directors Information**

#### **What is the makeup of the board of directors and how often are the members elected?**

Our board of directors consists of six members who are elected annually. The majority of these directors are independent under the Nasdaq listing standards.

#### **What if a nominee is unable or unwilling to serve?**

That is not expected to occur. If it does, shares represented by proxies will be voted for a substitute nominated by the board of directors.

#### **How are directors compensated?**

Our policy adopted in the second quarter of 2007 is that members of our board of directors who are also our officers or employees do not receive compensation for their services as directors.

#### ***Cash Compensation***

In 2011, we paid our non-employee directors a monthly retainer of \$1,000 and a per meeting in-person attendance fee of \$500 and reimbursed all ordinary and necessary expenses incurred by non-employee directors in the conduct of our business. In addition to the fees described above, each committee member of our board of directors receives \$3,000 per year for his service on each committee, provided that the committee chairman receives \$4,500 per year per committee. As of the date of this proxy statement, no changes to the cash compensation structure for our non-employee directors have been made for 2012.

#### ***Equity Compensation***

From time to time, we provide our non-employee directors with equity compensation under our Amended and Restated 2005 Stock Incentive Plan as additional compensation and incentive. Our current non-employee directors are Donald L. Dillingham, Craig Groeschel, David L. Houston and Scott E. Streller. In May 2011, we granted 6,666 shares of our restricted common stock to Mr. Dillingham under our Amended and Restated 2005 Stock Incentive Plan, which shares vest in three annual installments of 2,220 on March 16, 2012, 2,220 shares on March 18, 2013 and 2,226 shares on March 18, 2014. In October 2011, we granted 6,666 shares of our restricted common stock to Mr. Groeschel under our Amended and Restated 2005 Stock Incentive Plan in connection with Mr. Groeschel's appointment to our board of directors in August 2011, which shares vest in three annual installments of 2,220 shares on December 15, 2011, 2,220 shares on December 14, 2012 and 2,226 shares on December 16, 2013. Neither Mr. Streller nor Mr. Houston received any awards in 2011 under our Amended and Restated 2005 Stock Incentive Plan because we granted 6,666 shares of our restricted common stock to each of them in November 2009. The shares of our restricted common stock granted to Messrs. Streller and Houston vest in 12 substantially equal quarterly installments beginning on December 17, 2009. Further details regarding our director compensation in 2011 are set forth under the heading "Director Compensation" below.

#### ***Insurance and Indemnification***

We provide liability insurance for our directors and officers at a current annual cost of approximately \$410,000. In addition, our certificate of incorporation sets forth limitations on our directors' liability to our stockholders. Further, our bylaws contain indemnification and advancement of expenses provisions for the benefit of our directors and officers.

#### **How often did the board of directors meet in 2011?**

The board of directors met six times in 2011. In addition to these meetings, the board of directors adopted resolutions by unanimous written consent. Each director attended at least 75% of the aggregate meetings of the board of directors and the meetings of the committees on which he served.

---

**Table of Contents**

**Election of Directors and Director Biographies**

*(Proposal 1 on the Proxy Card)*

**Who are this year's nominees?**

The directors standing for election this year to hold office until the 2013 Annual Meeting of Stockholders and until each such director's successor is elected are:

**MIKE LIDDELL, age 58.** Mr. Liddell has served as a director of the Company since July 1997 and as Chairman of the Board of the Company since July 1998. Mr. Liddell served as Chief Executive Officer of the Company from April 1998 to December 2005 and President of the Company from July 2000 to December 2005. Mr. Liddell also served as President and Chief Executive Officer of Caliber Development Company, LLC from March 2004 until June 2006, and has served as its Chief Executive Officer since June 2006. In addition, Mr. Liddell served as Chief Executive Officer of DLB Oil & Gas, Inc., a publicly held oil and natural gas company, from October 1994 to April 1998, and as a director of DLB Oil & Gas from 1991 through April 1998. From 1991 to 1994, Mr. Liddell was President of DLB Oil & Gas. From 1979 to 1991, he was President and Chief Executive Officer of DLB Energy. Mr. Liddell served as a director of Bronco Drilling Company, Inc., a provider of contract land drilling services, from May 2005 until August 2008 and as its Chairman of the Board from May 2005 until August 2007. Mr. Liddell received a Bachelor of Science degree in education from Oklahoma State University.

**DONALD DILLINGHAM, age 49.** Mr. Dillingham has served as a director of the Company since November 2007. Since August 2001, Mr. Dillingham has served as the Senior Portfolio Manager for Avondale Investments, LLC and Merit Advisors, Inc., each of which is a registered investment advisor. Mr. Dillingham is currently the Senior Portfolio Manager for two mutual funds, a member of the investment committee of Merit Advisors, Inc. and the Vice-President/Treasurer of the Merit Advisors Investment Trust. From August 2002 to December 2004, Mr. Dillingham served as an adjunct professor of finance at the University of Oklahoma. From April 1998 to August 2001, Mr. Dillingham served as Senior Vice President, portfolio manager and state director for J.P. Morgan Investment Management. From March 1996 to April 1998, Mr. Dillingham served American Express as the state director responsible for managing the financial planning services and product sales for the state of Oklahoma. From May 1994 to December 1996, Mr. Dillingham worked for Bank of America as Vice-President of Investment Banking. Mr. Dillingham began his career in the finance industry with Stifel, Nicolaus as a fixed income analyst, risked based market maker and sales manager from August 1984 to May 1994. Mr. Dillingham received a Bachelors of Business and Administration in Accounting from the University of Oklahoma and his Masters of Business and Administration in Finance from Oklahoma City University. Mr. Dillingham is a Chartered Financial Analyst, a Certified Public Accountant and a Certified Financial Planner.

**CRAIG GROESCHEL, age 44.** Mr. Groeschel has served as a director of the Company since August 2011. Since 1996, Mr. Groeschel has served as a founding pastor of LifeChurch.tv, one of the largest churches in the United States, reaching over 30,000 people each weekend. Since founding LifeChurch, Mr. Groeschel has served on its Board of Directors. Under Mr. Groeschel's leadership, LifeChurch has grown to 15 locations in the United States. Mr. Groeschel received a Bachelors in Business Marketing from the Oklahoma City University and a Masters of Divinity from the Phillips Graduate Seminary. Mr. Groeschel is a frequent speaker at various domestic and international forums and an author of a number of books.

**DAVID L. HOUSTON, age 59.** Mr. Houston has served as a director of the Company since July 1998. Since 1991, Mr. Houston has been the principal of Houston & Associates, a firm that offers life and disability insurance, compensation and benefits plans and estate planning. Prior to 1991, Mr. Houston was President and

**Table of Contents**

Chief Executive Officer of Equity Bank for Savings, F.A., an Oklahoma-based savings bank. Mr. Houston served on the board of directors and executive committee of Deaconess Hospital, Oklahoma City, Oklahoma, from January 1993 until December 2008 and is the former chair of the Oklahoma State Ethics Commission and the Oklahoma League of Savings Institutions. Mr. Houston also served as a director of Bronco Drilling Company from May 2005 until December 2010 and was a member of its audit committee. Mr. Houston received a Bachelor of Science degree in business from Oklahoma State University and a graduate degree in banking from Louisiana State University.

**JAMES D. PALM, age 67.** Mr. Palm has served as a director of the Company since February 2006 and as Chief Executive Officer of the Company since December 2005. Prior to joining the Company, Mr. Palm pursued oil and gas investments primarily in Oklahoma, the Texas Panhandle and Kansas as the manager and owner of Crescent Exploration, LLC, a company he founded in 1995. Mr. Palm currently serves as a member of the Industry Advisory Committee of the Oklahoma Corporation Commission. From October 2001 through October 2003, Mr. Palm served as the Chairman of the Oklahoma Energy Resources Board. From 1997 through 1999, Mr. Palm served as the President of the Oklahoma Independent Petroleum Association. Mr. Palm received a Bachelor of Science degree in Mechanical Engineering in 1968, and a Masters in Business Administration in 1971, both from Oklahoma State University.

**SCOTT E. STRELLER, age 44.** Mr. Streller has served as a director of the Company since August 2006. Since April 1993, Mr. Streller has operated an insurance agency for Farmer's Insurance and Farmer's Financial Solutions. Mr. Streller received a Master's degree in Athletic Administration from Oklahoma State University and a Bachelor of Business Administration degree in Business Management from the University of Central Oklahoma.

**What does the board of directors recommend?**

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THESE DIRECTORS**



**Table of Contents**

**What are the committees of the Board?**

Our board of directors has the following committees:

<b>Committee</b>	<b>Members</b>	<b>Principal Functions</b>	<b>Number of Meetings in 2011</b>
Audit	David L. Houston*  Donald L. Dillingham  Scott E. Streller	<p>Reviews and discusses with management and the independent auditors the integrity of our accounting policies, internal controls, financial statements, accounting and auditing processes and risk management compliance.</p> <p>Monitors and oversees our accounting, auditing and financial reporting processes generally, including the qualifications, independence and performance of the independent auditor.</p> <p>Monitors our compliance with legal and regulatory requirements.</p> <p>Establishes procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.</p> <p>Reviews and approves related party transactions.</p> <p>Appoints, determines compensation, evaluates and terminates our independent auditors.</p> <p>Pre-approves audit and permissible non-audit services to be performed by the independent auditors.</p> <p>Prepares the report required by the SEC for the inclusion in our annual proxy statement.</p>	5

## Edgar Filing: GULFPORT ENERGY CORP - Form DEF 14A

Reviews and reassesses the adequacy of the audit committee charter on a periodic basis.

Compensation	Scott E. Streller	Oversees and administers our executive compensation policies, plans and practices and evaluates their impact on risk and risk management.	3
	David L. Houston*		

Assists the board of directors in discharging its responsibilities relating to the compensation of our executives, including our chief executive officer, and other key employees.

Administers our equity-based compensation plans, including the grants of stock options, restricted stock awards and other equity awards under such plans.

**Table of Contents**

Committee	Members	Principal Functions	Number of Meetings in 2011
		<p>Makes recommendations to the board with respect to incentive compensation.</p>	
		<p>Conducts annual performance evaluation of the committee.</p>	
		<p>Reviews disclosure related to executive compensation in our proxy statement.</p>	
		<p>Reviews and considers the stockholders' advisory vote on executive compensation and the frequency of holding such advisory vote.</p>	
		<p>Reviews and reassesses the adequacy of the compensation committee charter.</p>	
Nominating	<p>Donald L. Dillingham David L. Houston Scott E. Streller*</p>	<p>Assists the board of directors in developing criteria for, identifying and evaluating individuals qualified to serve as members of our board of directors.</p>	1
		<p>Selects and recommends director candidates to the board of directors to be submitted for election at the Annual Meeting and to fill any vacancies on the board of directors.</p>	
		<p>Periodically reviews and makes recommendations regarding the composition and size of the board of directors and each of its committees.</p>	
		<p>Reviews and recommends to the board of directors appropriate corporate governance policies and procedures for the Company.</p>	
		<p>Conducts an annual assessment of the qualifications and performance of the board of directors.</p>	

## Edgar Filing: GULFPORT ENERGY CORP - Form DEF 14A

Annually reviews and reports to the board of directors on the performance of management.

Reviews and reassesses the adequacy of the nominating committee charter.

\* Committee Chairperson

### **Do the committees have written charters?**

Yes. The charters for our Audit Committee, Compensation Committee and Nominating Committee can be found on our website at [www.gulfportenergy.com](http://www.gulfportenergy.com) under the Corporate Governance caption. You may also obtain copies of these charters, as well as our Code of Business Conduct and Ethics, which is described below, by writing to our Corporate Secretary, Michael G. Moore, at Gulfport Energy Corporation, 14313 N. May Avenue, Suite 100, Oklahoma City, Oklahoma 73134.

## **Table of Contents**

### **Corporate Governance Matters and Communications with the Board**

#### **Who are our independent directors?**

Our board of directors has determined that Donald L. Dillingham, Craig Groeschel, David L. Houston and Scott E. Streller meet the standards regarding independence set forth in the Nasdaq listing standards and are free of any relationship which, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out their responsibilities as directors of the Company.

Our board of directors has determined that each member of the Audit Committee is independent for purposes of serving on such committee under the Nasdaq listing standards and applicable federal law. In addition, our board of directors has determined that each current member of the Audit Committee is financially literate under the Nasdaq listing standards and that each of Mr. Houston, who serves as the Chairman of the Audit Committee, and Mr. Dillingham qualifies as the audit committee financial expert, as such term is defined in Item 407(d) of Regulation S-K.

Our board of directors has also determined that each member of the Compensation Committee and the Nominating Committee meets the independence requirements applicable to those committees under the Nasdaq rules. In addition, our board of directors determined that each member of our compensation committee is an outside director in accordance with Section 162(m) of the Internal Revenue Code and a non-employee director in accordance with Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

#### **Do our non-management directors meet separately without management?**

Our non-management directors have the opportunity to meet in an executive session following each regularly scheduled meeting of the board of directors. During 2011, our non-management directors met in an executive session on April 25, 2011.

#### **How can I communicate with the board of directors?**

Individuals may communicate with our board of directors or individual directors by writing to our Corporate Secretary, Michael G. Moore, at Gulfport Energy Corporation, 14313 N. May Avenue, Suite 100, Oklahoma City, Oklahoma 73134. Our Corporate Secretary will review all such correspondence and forward to our board of directors a summary of all such correspondence and copies of all correspondence that, in the opinion of our Corporate Secretary, relates to the functions of our board of directors or the compensation committee thereof or that he otherwise determines requires their attention. Directors may review a log of all such correspondence received by us and request copies. Concerns relating to accounting, internal control over financial reporting or auditing matters will be immediately brought to the attention of the chairman of the audit committee and handled in accordance with the audit committee procedures established with respect to such matters.

#### **Do directors attend the Annual Meeting?**

Recognizing that director attendance at our Annual Meeting can provide our stockholders with an opportunity to communicate with directors about issues affecting the Company, we actively encourage our directors to attend the Annual Meeting of Stockholders. All of our directors attended the 2011 Annual Meeting of Stockholders.

## **Table of Contents**

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

We have adopted a Code of Business Conduct and Ethics designed to help directors and employees resolve ethical issues. Our Code of Business Conduct and Ethics applies to all directors and employees, including the Chief Executive Officer, the Chief Financial Officer and all senior financial officers. Our Code of Business Conduct and Ethics covers various topics including, but not limited to, conflicts of interest, fair dealing, discrimination and harassment, confidentiality, compliance procedures and employee complaint procedures. Our Code of Business Conduct and Ethics is posted on our website under the Investor Relations Corporate Governance caption.

### **Nominating Process For Directors, Director Qualifications and Review of Director Nominees**

The Nominating Committee is comprised of three non-employee directors, all of whom are independent under Nasdaq listing standards. As provided by the Nominating Committee's charter, our Nominating Committee identifies, investigates and recommends to our board of directors candidates with the goal of creating a balance of knowledge, experience and diversity. Generally, the committee identifies candidates through the personal, business and organizational contacts of the directors and management.

Potential directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the interests of our stockholders. In addition to reviewing a candidate's background and accomplishments, candidates for director nominees are reviewed in the context of the current composition of our board of directors and the evolving needs of our stockholders' businesses. It is the policy of our board of directors that at all times at least a majority of its members meets the standards of independence promulgated by Nasdaq and the Securities and Exchange Commission, or the SEC, and that all members reflect a range of talents, ages, skills and expertise, particularly in the areas of accounting and finance, management, leadership and oil and gas related industries sufficient to provide sound and prudent guidance with respect to our stockholders' operations and interests. In addition to the foregoing factors, our Nominating Committee considers diversity in its evaluation of candidates for board membership. Although our board of directors does not have a formal diversity policy, our board believes that diversity with respect to viewpoint, skills and experience should be an important factor in board composition. Our Nominating Committee ensures that diversity considerations are discussed in connection with each potential nominee, as well as on a periodic basis in connection with its periodic review of the composition of the board and the size of the board as a whole.

We also require that the members of our board of directors be able to dedicate the time and resources sufficient to ensure the diligent performance of their duties on our behalf, including attending all meetings of the board of directors and applicable committee meetings. In accordance with its charter, our Nominating Committee periodically reviews the criteria for the selection of directors to serve on our board and recommends any proposed changes to our board of directors for approval.

Our board of directors will consider stockholder nominations for director candidates upon written submission of such recommendation to our Corporate Secretary along with, among other things, the nominee's qualifications and certain biographical information regarding the nominee, such as the nominee's written consent to serving as a director if elected and being named in the proxy or information statement and certain information regarding the status of the stockholder submitting the recommendation, all in the manner required by our amended and restated bylaws and the applicable rules and regulations promulgated under the Securities Exchange Act of 1934, as amended. Following verification of the stockholder status of persons proposing candidates, recommendations will be aggregated and considered by our board of directors at a regularly scheduled or special meeting. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials will be forwarded to our board of directors.

## **Table of Contents**

Our board of directors may also review materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a stockholder. In evaluating such nominations, our board of directors will seek to achieve a balance of knowledge, experience and capability on the board. Our board of directors uses the same criteria for evaluating candidates nominated by stockholders as it does for those proposed by current board members, professional search firms and other persons. After completing its evaluation, our board of directors approves the final slate of director nominees.

Our Nominating Committee approved the director nominees submitted for election at this Annual Meeting. Each nominee is a current board member and brings a strong and unique background and set of skills to our board of directors, giving our board of directors as a whole competence and experience in a variety of areas, including corporate governance and board service, executive management, oil and natural gas industry, accounting and finance and risk assessment and management. Specifically, in nominating the current board members for re-election at this Annual Meeting, our Nominating Committee considered such directors' past service on our board and the information discussed in each of the directors' individual biographies set forth beginning on page 5 above. In particular, with regard to Messrs. Liddell and Palm, our Nominating Committee considered their respective public company experience as executive officers and directors, as well as their strong oil and natural gas backgrounds. With respect to Mr. Palm, our Nominating Committee also considered his current and prior service with various state and independent advisory boards and committees in the petroleum industry. With regard to Mr. Dillingham, our Nominating Committee considered his strong background in finance and risk assessment and management developed as part of his career as a registered investment advisor and portfolio manager, as well as his academic experience. With regard to Mr. Groeschel, our Nominating Committee considered his leadership and prior board service at a non-profit organization, community involvement and administrative and public speaking skills. With regard to Messrs. Houston and Streller, our Nominating Committee considered their respective business backgrounds and risk assessment skills.

### **Director Leadership Structure**

Since December 2005, the positions of Chairman of the Board and Chief Executive Officer have been held by two different individuals. Separating these positions allows our Chief Executive Officer to focus on our day-to-day business and operations, while allowing our Chairman of the Board to lead the board in its fundamental role of providing advice to and oversight of management. In accordance with our bylaws, the position of the Chairman of the Board is an executive officer position and not an independent director position. The Chairman of the Board provides leadership to our board of directors and works with the board of directors to define its structure and activities in the fulfillment of its responsibilities. The Chairman of the Board sets the board agendas, with the input from other members of the board and our management, facilitates communications among and information flow to directors, has the power to call special meetings of our board of directors and stockholders and presides at meetings of our board of directors and stockholders. The Chairman of the Board also advises and counsels our Chief Executive Officer and other officers. Our board of directors does not have a position of a lead director.

We believe that our directors bring a broad range of leadership experience to the boardroom and regularly contribute to the thoughtful discussion involved in effectively overseeing the business and affairs of the Company. We believe that the atmosphere of our board is collegial, that all board members are well engaged in their responsibilities, and that all board members express their views and consider the opinions expressed by other directors. We do not believe that appointing an independent board chairman, or a lead or presiding director, would improve the performance of our board of directors. Further, four out of six directors on our board are independent under the Nasdaq listing standards and SEC rules. We believe that all of our independent directors have demonstrated leadership in business enterprises and are familiar with board processes. Our independent directors are involved in the leadership structure of our board by serving on our Audit, Nominating and Compensation committees, each having a separate independent chairperson. Specifically, the chair of our Audit Committee oversees the accounting and financial reporting processes, as well as compliance with legal and

## **Table of Contents**

regulatory requirements. The chair of our Compensation Committee oversees the annual performance evaluation of our Chief Executive Officer and our compensation policies and practices and their impact on risk and risk management. The chair of our Nominating Committee monitors matters such as the composition of the board and its committees, board performance and best practices in corporate governance. As such, each committee chair provides independent leadership for purposes of many important functions delegated by our board of directors to such committee.

### **Board of Director s Role in Risk Oversight**

As an exploration and production company, we face a number of risks, including risks associated with supply of and demand for oil and natural gas, volatility of oil and natural gas prices, exploring for, developing, producing and delivering oil and natural gas, declining production, environmental and other government regulations and taxes, weather conditions, including hurricanes, that can affect oil and natural gas operations over a wide area, adequacy of our insurance coverage, political instability or armed conflict in oil and natural gas producing regions and overall economic environment. Management is responsible for the day-to-day management of risks we face as the company, while our board of directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

Our board of directors believes that full and open communication between management and the board of directors is essential for effective risk management and oversight. Our Chairman of the Board meets regularly with our Chief Executive Officer and our Chief Financial Officer to discuss strategy and risks facing the Company. Our executive officers regularly attend the board meetings and are available to address any questions or concerns raised by the board on risk management-related and any other matters. Other members of our management team periodically attend the board meetings or are otherwise available to confer with the board to the extent their expertise is required to address risk management matters. Periodically, our board of directors receives presentations from senior management on strategic matters involving our operations. During such meetings, our board of directors also discusses strategies, key challenges, and risks and opportunities for the company with senior management.

While our board of directors is ultimately responsible for risk oversight at the Company, our three committees assist the board in fulfilling its oversight responsibilities in certain areas of risk. Our Audit Committee assists the board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements, and discusses policies with respect to risk assessment and risk management. Our Compensation Committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. Our Nominating Committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership and structure, succession planning for our directors and executive officers, and corporate governance.



**Table of Contents**

**Audit Committee Report**

The Audit Committee is responsible for providing independent, objective oversight for the integrity of the Company's financial reporting process and internal control system. Other primary responsibilities of the Audit Committee include the review, oversight and appraisal of the qualifications, independence and audit performance of the Company's independent registered public accounting firm and providing an open venue for communication among the independent registered public accounting firm, financial and senior management, our internal auditors and the board of directors of the Company. A more detailed description of the responsibilities of the Audit Committee is set forth in its written charter, which is posted on our website at [www.gulfportenergy.com](http://www.gulfportenergy.com). The following report summarizes certain of the Audit Committee's activities with respect to its responsibilities during 2011.

*Review with Management and Independent Registered Public Accounting Firm.* The Audit Committee has reviewed and discussed with management and Grant Thornton LLP, an independent registered public accounting firm, the audited consolidated financial statements of the Company for the year ended December 31, 2011.

*Controls and Procedures.* Management has established and maintains a system of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and includes controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in those reports is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of December 31, 2011, management conducted an evaluation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Securities and Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Audit Committee discussed with management and Grant Thornton LLP the quality and adequacy of the Company's disclosure controls and procedures.

Management has also established and maintains a system of internal controls over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation under the framework in Internal Control - Integrated Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2011, as discussed in more detail in Management's Report on Internal Control Over Financial Reporting, which was included in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 27, 2012. Our internal control over financial reporting as of December 31, 2011 has been audited by Grant Thornton LLP, as stated in its attestation report, which was included in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 27, 2012. The Audit Committee reviewed and discussed with management and Grant Thornton LLP the Company's system of internal control over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

*Discussions with Independent Auditing Firm.* The Audit Committee has discussed with Grant Thornton LLP, independent auditors for the Company, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended. The Audit Committee has received the written disclosures and the letter from Grant Thornton LLP required by applicable requirements of the Public Company

**Table of Contents**

Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence and has discussed with that firm its independence from the Company.

*Recommendation to the board of directors.* Based on its review and discussions noted above, the Audit Committee recommended to the board of directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

THE AUDIT COMMITTEE

David L. Houston, *Chairman*

Donald L. Dillingham

Scott E. Streller

**Table of Contents**

**Executive Officers**

The following table sets forth the name, age and positions of each of our executive officers as of the record date:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Mike Liddell	58	Chairman of the Board and Director
James D. Palm	67	Chief Executive Officer, Director
Michael G. Moore	55	Vice President, Chief Financial Officer and Secretary

Biographical information for each of Messrs. Liddell and Palm is set forth in this proxy statement under the heading Election of Directors and Director Biographies.

**MICHAEL G. MOORE.** Mr. Moore has served as Vice President and Chief Financial Officer of the Company since July 2000. From May 1998 through July 2000, Mr. Moore served as Vice President and Chief Financial Officer of Indian Oil Company. From September 1995 through May 1998, Mr. Moore served as Controller of DLB Oil & Gas. Prior to that, Mr. Moore served as Controller of LEDCO, Inc., a Houston based gas marketing company. Mr. Moore received both his Bachelor of Business Administration degree in Finance and his Masters in Business Administration from the University of Central Oklahoma.

---

**Table of Contents**

**Executive Compensation**

**Compensation Discussion And Analysis**

***Compensation Practices***

Until the end of 2007, all compensation decisions for our Chief Executive Officer and our Chief Financial Officer (other than decisions relating to our equity compensation plans) were made by our Chairman of the Board. Our Chairman of the Board has been compensated as provided in his employment agreement with the Company, which was effective as of June 1, 1999. Although our board of directors established a compensation committee effective as of February 14, 2006, until the end of 2007, the role of the compensation committee was limited, as we relied on the controlled company exemption and applicable transition rules provided by the Nasdaq listing standards. The compensation committee is currently composed entirely of independent directors. Since the end of 2007, the compensation committee has been primarily responsible for establishing, implementing and monitoring our compensation programs, including those applicable to our executive officers. In particular, the compensation committee's current role is to oversee, on behalf of our board of directors, our compensation and benefit plans and policies, administer our stock plans (including reviewing and approving equity grants to directors and executive officers) and review and approve annually all compensation decisions relating to our Chief Executive Officer and make recommendations to our board of directors and Chairman of the Board with respect to other executive officer compensation. The compensation committee meets at least annually to review executive compensation programs, approve compensation levels, consider performance targets, review management performance and administer our equity-based compensation plans. The compensation committee operates in accordance with its charter, adopted effective as of February 14, 2006, which sets forth its powers and responsibilities described in more detail under the Corporate Governance Compensation Committee.

***Compensation Philosophy and Objectives***

The objectives of our compensation program are to:

attract and retain key executives;

align the interests of our executives with those of our stockholders; and

motivate and reward individual performance and contributions.

***Compensation Benchmarking***

In the fall of 2010, the compensation committee engaged Equilar, an outside consultant, to provide executive compensation analysis for 2010 focusing on how base salaries, annual bonuses, equity awards and total compensation packages of our named executive officers compared to such compensation elements of similarly situated executives at peer group companies. The 2010 Equilar survey included the following industry peer companies: Abraxas Petroleum Corporation, Brigham Exploration Company, Carrizo Oil & Gas, Inc., Chesapeake Energy Corporation, Concho Resources Inc., Devon Energy Corporation, Energy XXI (Bermuda) LTD, Goodrich Petroleum Corporation, Petroleum Development Corporation, Petroquest Energy Inc., Sandridge Energy Inc., St. Mary Land & Exploration Company, Stone Energy Corporation, Swift Energy Company and Whiting Petroleum Corporation. The 2010 Equilar survey revealed that our named executive officers' compensation for 2010 was below the mean and median amounts received by similarly situated executives at peer group companies with respect to each compensation element. The compensation committee reviewed the results of the 2010 Equilar survey and evaluated bonuses and equity awards for 2010 and compensation packages for 2011 for our Chairman of the Board, Chief Executive Officer and Chief Financial Officer in light of the compensation packages received by their peers. The compensation committee also considered our 2010 performance, the value these executives bring to the Company, market trends, peer benchmarking, economic climate, their respective experience and leadership roles and employee retention considerations. The compensation committee noted that the Company demonstrated strong performance metrics as compared to its peers based on one year total shareholder return, three year total shareholder return and net income.

---

**Table of Contents**

Based on these considerations, in November 2010, the compensation committee granted 2010 discretionary bonuses to our Chief Executive Officer and our Chief Financial Officer. The compensation committee also granted a \$50,000 discretionary bonus for 2011 to our Chairman of the Board in recognition of his continuing contributions to the Company. The compensation committee also considered the need to continue to incentivize our named executive officers by providing long term equity awards with a time vesting component in light of peer group companies practices. Based on the foregoing, the compensation committee approved a restricted stock award to our Chief Financial Officer. The compensation committee considered prior restricted stock awards granted to our Chairman of the Board in March 2010 and to our Chief Executive Officer in December 2008 and determined not to award any additional restricted stock grants to such executive officers. The compensation committee did not make any other substantive changes to our named executive officers' compensation structure for 2011, except that in May 2011, the compensation committee approved a grant of a restricted stock award with a time vesting component to our Chief Financial Officer to continue to incentivize him and to reward his contribution to the Company's successful completion of an equity offering to, among other purposes, finance the acquisition of certain assets in the Utica Shale in Eastern Ohio.

In the fall of 2011, the compensation committee again engaged Equilar to provide executive compensation analysis for 2011 focusing on how base salaries, annual bonuses, equity awards and total compensation packages of our Chief Executive Officer and Chief Financial Officer compared to such compensation elements of similarly situated executives at peer group companies. The 2011 Equilar survey included the following industry peer companies: Abraxas Petroleum Corporation, Berry Petroleum Company, Brigham Exploration Company, Carrizo Oil & Gas, Inc., Chesapeake Energy Corporation, Concho Resources Inc., Devon Energy Corporation, Energy XXI (Bermuda) LTD, EV Energy Partners, LP, Goodrich Petroleum Corporation, Petroleum Development Corporation, Petroquest Energy Inc., RAM Energy Resources, Inc., Sandridge Energy Inc., SM Energy Company, Stone Energy Corporation, Swift Energy Company and Whiting Petroleum Corporation. The 2011 Equilar survey revealed that similar to the results of the 2010 Equilar survey, these named executive officers' compensation for 2011 continued to be below the mean and median amounts received by similarly situated executives at peer group companies with respect to each compensation element, except that the value of our Chief Financial Officer's 2011 restricted stock award exceeded both mean and median values of equity awards granted in 2011 to Chief Financial Officers of peer group companies. The compensation committee reviewed the results of the 2011 Equilar survey and evaluated the bonuses and equity awards for 2011 and the compensation packages for 2012 for our Chairman of the Board, Chief Executive Officer and Chief Financial Officer in light of the compensation packages received by their peers. The compensation committee also considered our 2011 performance, the value these executives bring to the Company, market trends, peer benchmarking, economic climate, their respective experience and leadership roles and employee retention considerations. The compensation committee noted that in 2011 the Company continued to demonstrate strong performance metrics as compared to its peers based on one year total shareholder return, three year total shareholder return and net income.

Based on these considerations, in October 2011, the compensation committee granted 2011 discretionary bonuses to our Chief Executive Officer and our Chief Financial Officer. Such bonuses represented increases from bonuses granted to such executive officers for the prior year, which were intended to reflect our strong 2011 performance and their respective contributions to the Company, including with respect to the Company's successful completion of the underwritten public equity offerings to finance acquisitions of oil and gas assets, including in the Utica Shale in Eastern Ohio. The bonuses were also intended to bring these named executive officers' overall compensation closer to the total compensation received by similarly situated executives at peer group companies. The compensation committee also increased our Chief Executive Officer's annual salary to \$250,000, effective August 16, 2011, and adjusted our Chairman of the Board's salary for the annual increase in the cost of living contemplated by his employment agreement. The compensation committee also considered the need to continue to incentivize our named executive officers by providing long term equity awards with a time vesting component in light of peer group companies' practices. The compensation committee noted its intention to evaluate an equity award grant for our Chief Executive Officer in 2012 to further incentivize him, considering that all of his previously granted equity awards had vested. In light of the restricted stock award granted to our Chairman of the Board in March of 2010 and the restricted stock awards granted to our Chief Financial Officer in November 2010

---

**Table of Contents**

and May 2011, the compensation committee did not recommend any equity awards for such named executive officers at that time. The compensation committee also determined to grant a \$500,000 discretionary bonus for 2012 to our Chairman of the Board in recognition of his continuing contributions to the Company. The compensation committee did not make any other substantive changes to our named executive officers' compensation structure for 2012 at that time. In February 2012, once the Company's 2011 results of operations were available, the compensation committee again reviewed the compensation packages for our named executive officers for 2012 in light of our prior year's performance and the 2011 Equilar survey of compensation packages of similarly situated executive officers at peer group companies. During such review, the compensation committee evaluated our strategy for recruiting, retaining and motivating our named executive officers and key employees. The compensation committee noted the Company's strong financial performance on the basis of total stockholder value metrics and considered our named executive officers' respective contributions to our strong operating and financial performance, including our successful completion of three equity offerings in 2011 to, among other purposes, finance the acquisition of certain strategic assets in the Utica Shale in Eastern Ohio. The compensation committee indicated its desire to adjust the incentive structure for our named executive officers to align their interests more closely with those of our stockholders and to more adequately reward such named executive officers for their respective performances in 2011. Following such discussion, the compensation committee determined to grant restricted stock awards of 40,000 shares, 67,500 shares and 40,000 shares of restricted common stock to our Chairman of the Board, our Chief Executive Officer and our Chief Financial Officer, respectively, under our Amended and Restated 2005 Stock Incentive Plan. See Compensation Components Restricted Stock Awards below. The compensation committee also evaluated the need for a new employment agreement with each of our Chairman of the Board and our Chief Executive Officer to, among other things, increase their salaries to be commensurate with their respective levels of responsibility with the Company, as well as the need for an employment agreement with our Chief Financial Officer. The compensation committee determined to negotiate these employment agreements and consider our entry into such employment agreements at the compensation committee's May 2012 meeting. See Compensation Components Base Salary below.

The elements of our compensation structure are discussed in more detail below.

***Compensation Policy***

The key elements of our compensation program are salary, annual bonus and long-term incentive compensation. We use these elements to meet our compensation objectives as follows:

***Attract and retain key executives.*** We believe that to attract and retain talented executives, we must offer compensation that is competitive. We also believe that our Chairman of the Board, Mike Liddell, our Chief Executive Officer, James D. Palm, and our Chief Financial Officer, Michael G. Moore, are critical to the long-term success of the Company. To facilitate the retention of our Chairman of the Board and our Chief Executive Officer, we entered into an employment agreement with Mr. Liddell in May of 1999 and into an oral agreement with Mr. Palm with respect to their respective compensations and benefits. Although we believe that the terms of these agreements were reasonable as compared to similarly situated executives at peer group companies at the time we entered into them, at its February 2012 meeting, the compensation committee determined that there is a need for a new employment agreement with each of our Chairman of the Board and our Chief Executive Officer and an employment agreement with our Chief Financial Officer to continue to retain their services and provide certain protections to such named executive officers in light of industry practices. The compensation committee determined to negotiate employment agreements with such named executive officers for consideration at its May 2012 meeting.

***Align the interests of our executives with those of our stockholders.*** In the past, we used both options and restricted stock awards to provide long-term incentive compensation and to align the financial interests of our executives with those of our stockholders. Since 2006, we used restricted stock awards to incentivize our named executive officers. It is anticipated that in the future the compensation committee will continue to structure our long-term incentive compensation in the form of restricted

---

**Table of Contents**

stock awards, consistent with peer group companies' practices. For a discussion of the Company's long-term incentive policy, see Long Term Incentive Compensation below.

*Stock Options.* Stock options represent the right of an option holder to buy shares of our common stock at an exercise price equal to the market value of our common stock on the date of grant. Under our outstanding stock options, the right to buy underlying shares generally vests in 36 substantially equal monthly installments from the date of grant, except that certain options vest in five substantially equal annual installments beginning on the first anniversary of the date of grant. We awarded these stock options in order to align compensation with company performance as the options become valuable to the executive only if the stock price increases from the date of grant. Also, stock options require a long-term commitment by executives to realize the appreciation potential of the options.

*Restricted Stock Awards.* In December 2008, the compensation committee granted a restricted stock award of 66,667 shares of restricted common stock to our Chief Executive Officer under our Amended and Restated 2005 Stock Incentive Plan. All of these shares of restricted common stock had vested as of December 31, 2011. We did not grant any equity awards to any of our executive officers in 2009. As additional compensation and incentive, in March 2010, the compensation committee granted a restricted stock award of 66,667 shares of restricted common stock to our Chairman of the Board under our Amended and Restated 2005 Stock Incentive Plan, which shares vest in 12 substantially equal quarterly installments. Of this amount, 44,440 shares had vested as of December 31, 2011, 5,560 shares vested on March 18, 2012 and the 16,667 remaining unvested shares vest in three substantially equal quarterly installments on June 17, September 17 and December 17, 2012. In November 2010, the compensation committee granted a restricted stock award of 45,000 shares of restricted common stock to our Chief Financial Officer under our Amended and Restated 2005 Stock Incentive Plan to continue to provide incentive to him, which shares vest in five annual installments. Of this amount, 9,000 shares had vested as of December 31, 2011 and the 36,000 remaining unvested shares vest in three annual installments of 9,000 shares on December 17, 2012, 12,000 shares on December 17, 2013 and 15,000 shares on December 17, 2014. In May 2011, the compensation committee granted a restricted stock award of 25,000 shares of restricted common stock to our Chief Financial Officer under our Amended and Restated 2005 Stock Incentive Plan, of which 1,667 shares vested on June 17, 2011 and the 23,333 remaining unvested shares vest in four annual installments of 3,333 shares on June 15, 2012, 5,000 shares on June 17, 2013, 6,667 shares on June 16, 2014 and 8,333 shares on June 17, 2015. In addition, in February 2012, the compensation committee granted restricted stock awards of 40,000 shares, 67,500 shares and 40,000 shares of restricted common stock to our Chairman of the Board, our Chief Executive Officer and our Chief Financial Officer, respectively, under our Amended and Restated 2005 Stock Incentive Plan. Of these shares, 2,500, 9,375 and 6,250 shares held by our Chairman of the Board, our Chief Executive Officer and our Chief Financial Officer, respectively, vested on March 16, 2012. The remaining 37,500 unvested shares of restricted common stock granted under the Amended and Restated 2005 Stock Incentive Plan to our Chairman of the Board in February 2012 vest in 11 quarterly installments, with 7,500 shares vesting during the remainder of 2012, 20,000 shares vesting in 2013 and 10,000 shares vesting in 2014. The remaining 58,125 unvested shares of restricted common stock granted under the Amended and Restated 2005 Stock Incentive Plan to our Chief Executive Officer in February 2012 vest in 11 quarterly installments, with 28,125 shares vesting during the remainder of 2012, 20,000 shares vesting in 2013 and 10,000 shares vesting in 2014. The remaining 33,750 unvested shares of restricted common stock granted under the Amended and Restated 2005 Stock Incentive Plan to our Chief Financial Officer in February 2012 vest in 11 quarterly installments, with 18,750 shares vesting during the remainder of 2012, 10,000 shares vesting in 2013 and 5,000 shares vesting in 2014. Restricted stock awards ensure that our executives have a continuing stake in the long-term success of the Company as the value of the award will depend on the stock price at the time of vesting.

**Table of Contents**

***Motivate and reward individual performance and contributions.*** The Company's evaluation of the individual performance of each executive officer affects most aspects of the executive's compensation. Individual performance and level of responsibility are considered in determining an executive's annual salary, and are important factors in deciding discretionary bonuses and equity awards.

**Compensation Components*****Base Salary***

Salaries for our Chairman of the Board and our Chief Executive Officer are provided for in their respective agreements described in more detail below under the heading Employment Agreements. The annual base salary for our Chairman of the Board is increased annually in an amount equal to any increase in the cost of living as determined in accordance with his employment agreement. The respective salaries for our Chief Executive Officer and Chief Financial Officer for 2011 were determined by our compensation committee and our Chairman of the Board, respectively. With respect to the 2011 salaries of our Chief Executive Officer and our Chief Financial Officer, the various factors considered included the recommendation of our Chairman of the Board, the compensation of executive officers of comparable companies within the oil and natural gas industry, the performance of such executive officer and changes in responsibilities, the experience, leadership and potential future contributions to the Company and, in the case of our Chief Executive Officer, his oral employment agreement with the Company. In the future, we anticipate that the compensation committee will continue to review the base salaries of our named executive officers on an annual basis, subject to the terms of any employment agreements that we may have with our named executive officers, and will consider similar factors, as well as the recommendation of our Chairman of the Board with respect to base salaries of other named executive officers. During 2011, the base salaries for our Chairman of the Board, our Chief Executive Officer and our Chief Financial Officer were \$267,534, \$234,375 and \$300,000, respectively.

In October 2011, the compensation committee reviewed and considered salaries for our Chairman of the Board, Chief Executive Officer and Chief Financial Officer for 2012, taking into consideration their 2011 compensation packages and the compensation survey prepared by Equilar in the fall of 2011. The compensation committee also considered the Company's strong performance, as compared to its peers, based on one year total shareholder return, three year total shareholder return and net income. Further, the compensation committee considered the value the executives bring to the Company, market trends, peer benchmarking, economic climate, experience, leadership and employee retention and, in the case of our Chairman of the Board and Chief Executive Officer, the terms of their respective agreements with the Company. Following such review, the compensation committee adjusted the base salary of our Chairman of the Board for the increase in cost of living, as provided by his employment agreement, increased the base salary of our Chief Executive Officer, effective August 16, 2011, to \$250,000 and made no adjustment to the base salary of our Chief Financial Officer for 2011. In February 2012, the compensation committee again evaluated annual salaries of our named executive officers in light of the 2011 Equilar survey and the need for a new employment agreement with each of our Chairman of the Board and our Chief Executive Officer to, among other matters, increase the annual salary of each of them to \$300,000 to be commensurate with the level of responsibility such named executive officer has with the Company, as well as the need for an employment agreement with our Chief Financial Officer. The compensation committee believes that these employment agreements would allow us to continue to retain our named executive officers' services and provide certain protections to them in light of industry practices. The compensation committee determined to negotiate these employment agreements and consider our entry into such employment agreements at the compensation committee's May 2012 meeting.

***Discretionary Bonus***

The compensation committee determined the year end discretionary bonuses that were paid to our Chief Executive Officer and our Chief Financial Officer based on their respective performances in 2011 and other factors, including Company performance in 2011, the value the executives bring to the Company, market trends,



---

## **Table of Contents**

peer benchmarking, economic climate, experience, leadership and employee retention. Based on the considerations described under Compensation Benchmarking, the compensation committee determined that each of our Chief Executive Officer and Chief Financial Officer would receive a year-end discretionary bonus of \$500,000 and our Chairman of the Board would receive a discretionary bonus of \$500,000 for 2012.

### ***Long-Term Incentive Compensation***

*2011 and 2012 Awards.* In May 2011, the compensation committee granted a restricted stock award of 25,000 shares of restricted common stock to our Chief Financial Officer under our equity plan. In February 2012, the compensation committee reviewed and discussed the Company's current equity compensation plan and objectives. The compensation committee also considered the need to issue new equity awards as old awards become fully vested, so as to provide future incentives to our executive officers. Upon review, the compensation committee granted restricted stock awards of 40,000 shares, 67,500 shares and 40,000 shares, respectively, of restricted common stock to our Chairman of the Board, Chief Executive Officer and Chief Financial Officer under our equity plan. For additional information regarding these awards, see

*Compensation Policy Align the interests of our executives with those of our stockholders Restricted Stock Awards* above.

*Long-Term Incentive Policy.* Although in the past we awarded both options and restricted stock as part of our long-term incentive compensation program, our board of directors and the compensation committee believe that restricted stock awards are an essential component of our compensation strategy, and currently intend to primarily offer such awards in the future. Further, we anticipate that any equity awards granted to our executive officers during 2012 will be in the form of restricted stock. The Committee may also determine to issue other forms of stock-based awards to our named executive officers or other eligible participants under our Amended and Restated 2005 Stock Incentive Plan or other equity incentive plans in effect at that time. Our current equity incentive plan is described below under the heading Amended and Restated 2005 Stock Incentive Plan. The compensation committee did not establish any objective performance targets for 2012.

### ***Perquisites and Other Personal Benefits***

Our company provides certain of our named executive officers with a limited number of perquisites or other personal benefits, primarily consisting of life insurance premiums and in the case of our Chief Financial Officer, a company vehicle, that we believe help provide a competitive package of compensation and benefits. The value of these benefits is disclosed in the Summary Compensation Table.

### ***Broad-Based Employee Benefits***

*401(k) Plan.* We have retirement savings plan in which our named executive officers currently participate. The retirement plan is a tax qualified 401(k) plan that covers all eligible employees including the named executive officers. Under the plan, we make a safe harbor contribution equal to 3% of each eligible employee's gross annual compensation for the prior calendar year. We also have the ability to make an additional, discretionary contribution based on each eligible employee's gross annual compensation for the prior calendar year. Both contributions are made regardless of employee's deferrals into the plan. In 2011, we made a safe harbor and discretionary contribution totaling 6% for eligible employees, subject to certain limitations provided by our 401(k) plan and Internal Revenue Service's regulations. All contributions made by us on behalf of an employee are 100% vested when contributed. For more details regarding our 401(k) plan, see Retirement Plans 401(k) Plan below.

Our named executive officers are eligible to participate in all of our other employee benefit plans which include medical, dental, group life, disability and accidental death and dismemberment insurance, in each case on the same basis as all other employees.

## **Table of Contents**

### ***Employment Agreements***

In May 1999, we entered into an employment agreement with Mike Liddell, our Chairman of the Board. The agreement had an initial five-year term and automatically renews for successive one-year terms thereafter. The agreement provides for an annual base salary of \$200,000, adjusted for cost of living increases. As a result of these increases, Mr. Liddell's base salary had risen to \$273,861 effective as of June 1, 2011. In the event that Mr. Liddell's employment is terminated by us without cause, Mr. Liddell would be entitled to receive twelve months of his then current base salary, and all of his then unexercisable options would become exercisable. The agreement also restricts Mr. Liddell's use or disclosure of any of our confidential information during the term of the agreement and for a period of five years thereafter. In February 2012, the compensation committee evaluated the need for a new employment agreement with our Chairman of the Board to, among other things, increase his annual salary to \$300,000 to be commensurate with the level of responsibility such named executive officer has with the Company.

We have entered into an oral agreement with James D. Palm, our Chief Executive Officer, with respect to his compensation and benefits, pursuant to which Mr. Palm is entitled to an annual salary of \$200,000 and, at the discretion of our board of directors, an annual cash incentive bonus. For 2011, Mr. Palm's annual salary was \$225,000. In October 2011, the compensation committee increased Mr. Palm's annual salary, effective August 2011, to \$250,000. Mr. Palm is also eligible to participate in all insurance, retirement and benefits plans available to our other employees. In February 2012, the compensation committee evaluated the need for a new employment agreement with our Chief Executive Officer to, among other things, increase his annual salary to \$300,000 to be commensurate with the level of responsibility such named executive officer has with the Company.

In February 2012, the compensation committee also evaluated the need for an employment agreement with our Chief Financial Officer.

The compensation committee believes that our entry into these employment agreements with our named executive officers would allow us to continue to retain their services and provide certain protections to such named executive officers commensurate with industry practices. The compensation committee determined to negotiate these employment agreements with our named executive officers and consider our entry into such employment agreements at the compensation committee's May 2012 meeting.

### ***Change in Control Arrangements***

Our named executive officers do not currently have any change in control arrangements, except that Mr. Liddell's employment agreement provides that upon termination of Mr. Liddell's employment by us without cause, Mr. Liddell is entitled to receive twelve months of his then current base salary, and all of his then unexercisable options will become exercisable. See Employment Agreements above. In addition, our Amended and Restated 2005 Stock Incentive Plan provides that in the event of a significant corporate transaction involving a change in control (as defined under the plan) of the Company, such as a dissolution or liquidation of us, or any corporate separation or division, including, but not limited to, a split-up, a split-off or a spin-off, or a sale in one or a series of related transactions, of all or substantially all of our assets or a merger, consolidation, or reverse merger in which we are not the surviving entity, then all outstanding stock awards under the Amended and Restated 2005 Stock Incentive Plan may, in the sole discretion of the plan administrator, be assumed, continued or substituted for by any surviving or acquiring entity (or its parent company), or may be cancelled either with or without consideration for the vested portion of the awards. In the event an award would be cancelled without consideration paid to the extent vested, the award recipient may exercise the award in full or in part for a period of ten days. The plan administrator may also exercise its discretionary authority to accelerate the vesting of an award under the Amended and Restated 2005 Stock Incentive Plan in the event of a change in control.

Potential payments to our Chief Executive Officer and our other named executive officers upon termination or following a change in control event are set forth under the heading Potential Payments upon Termination or Change-in-Control.

## **Table of Contents**

### ***Effect of Our Compensation Policies and Practices on Risk and Risk Management***

The Compensation Committee reviews the risks and rewards associated with our compensation policies and programs. We believe that such policies and programs encourage and reward prudent business judgment and appropriate risk-taking over the long term. With respect to specific elements of compensation:

We believe that our programs balance short- and long-term incentives for our executive officers providing for an appropriate mix of fixed, discretionary and equity compensation that overall encourages long-term performance.

We believe that annual base salaries for our named executive officers do not encourage excessive risk-taking as they are fixed amounts that are subject to discretionary increases by our compensation committee or the board of directors upon the recommendation of our compensation committee, as the case may be, based, among other factors, on annual performance evaluations. We also believe that such annual base salaries are set at reasonable levels, as compared to the base salaries of similarly situated individuals at our peer group companies, and therefore do not encourage our named executive officers to be overly conservative with respect to taking appropriate amount of risk to increase stockholder value.

Our annual bonuses are designed to award achievement of short-term results. The payment and amounts of such bonuses are within the discretion of and determined by our compensation committee or the board of directors upon the recommendation of our compensation committee, as the case may be, based on the Company's performance for the prior fiscal year and annual performance evaluations of our named executive officers.

Stock options and restricted stock awards granted to our named executive officers are subject to time vesting provisions. We award stock options in order to align compensation with company performance, as the options become valuable to the executive only if the stock price increases from the date of grant. Also, stock options require a long-term commitment by executives to realize the appreciation potential of the options. We award restricted stock awards to ensure that our executives have a continuing stake in the long-term success of the Company as the value of the award will depend on the stock price at and after the time of vesting. We believe that our long-term equity awards do not encourage excessive risk taking that may be associated with equity awards that vest based strictly on achieving certain targets. We also believe that our long-term equity awards provide incentive to our named executive officers to take appropriate amount of risk.

Our named executive officers do not currently have any change in control arrangements, except that Mr. Liddell's employment agreement provides that upon termination of Mr. Liddell's employment by us without cause, Mr. Liddell is entitled to receive twelve months of his then current base salary, and all of his then unexercisable options will become exercisable. The compensation committee determined to negotiate a new employment agreement with each of our Chairman of the Board and our Chief Executive Officer and an employment agreement with our Chief Financial Officer to continue to retain their services and provide certain protections to such executive officers commensurate with industry practices. The compensation committee expects to consider our entry into such employment agreements at its May 2012 meeting.

Based on the foregoing, the Compensation Committee believes that the Company does not utilize compensation policies and programs creating risks that are reasonably likely to have a material adverse impact on the Company.

### ***Deductibility of Executive Compensation***

Section 162(m) of the Internal Revenue Code limits the deductibility for federal income tax purposes of executive compensation paid to the Chief Executive Officer and the four other most highly compensated officers of a public company to \$1,000,000 per year, but contains an exception for certain performance-based compensation. Our policy is to periodically review and consider whether particular compensation and incentive



## **Table of Contents**

payments to our executives will be deductible for federal income tax purposes. We intend, to the extent feasible and when we believe it is in the best interests of the Company and its stockholders, to attempt to qualify executive compensation as tax deductible where it does not adversely affect the development and execution of our compensation plans.

### ***Accounting Implications of Executive Compensation Policy***

We are required to recognize compensation expense of all stock-based awards pursuant to the provisions of FASB ASC Topic 718, *Compensation Stock Compensation*. Non-vested shares are deemed issued and outstanding from a legal perspective; however, under U.S. generally accepted accounting principles, or GAAP, only vested shares are included in basic shares outstanding. Also, under GAAP, non-vested shares are included in diluted shares outstanding when the effect is dilutive.

### ***The Role of Stockholders Say-on-Pay Vote***

We provide our stockholders with the opportunity to cast an annual advisory vote on executive compensation (a say-on-pay proposal) in accordance with the Dodd-Frank Act. At our June 2011 annual meeting of stockholders, our stockholders expressed substantial support for the compensation of our named executive officers, with approximately 99.7% of the votes cast for approval of the say-on-pay advisory vote. The compensation committee evaluated the results of the 2011 say-on-pay advisory vote at its October 2011 meeting. The compensation committee believes that the results of the 2011 say on pay advisory vote affirm our stockholders' support of our executive compensation policies and practices. The compensation committee also believes that our executive compensation policies and practices are appropriate and reasonably consistent with market practices and with the long-term interests of the Company and its stockholders, and did not make any significant changes to such policies and practices in 2011. The compensation committee will continue to consider the outcome of our stockholders' future say-on-pay votes when making compensation decisions for our named executive officers.

### **Report of the Compensation Committee on Executive Compensation**

The compensation committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on its review and discussion with management, the compensation committee recommended that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted by the compensation committee:

David L. Houston

Scott Streller

### **Compensation Committee Interlocks and Insider Participation**

No current member of our Compensation Committee has ever been an officer or employee of ours. None of our executive officers serves, or has served during the past fiscal year, as a member of the board of directors or compensation committee of any other company that has one or more executive officers serving as member of our board of directors or compensation committee.

**Table of Contents****Compensation Tables****SUMMARY COMPENSATION TABLE**

The following table provides information concerning compensation of our principal executive officer, principal financial officer and our other highest paid executive officer for the fiscal years ended December 31, 2011, December 31, 2010 and December 31, 2009.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	All Other Compensation (\$)(2)	Total (\$)
James D. Palm	2011	\$ 234,375	\$ 500,000	\$	\$	\$ 18,846	\$ 753,221
Chief Executive Officer	2010	\$ 225,000	\$ 100,000	\$	\$	\$ 22,686	\$ 347,686
	2009	\$ 225,000	\$ 50,000	\$	\$	\$ 13,800	\$ 288,800
Mike Liddell	2011	\$ 267,534	\$ 50,000	\$	\$	\$ 18,846	\$ 336,380
Chairman of the Board	2010	\$ 262,330	\$ 50,000	\$ 662,003(3)	\$	\$ 22,686	\$ 997,019
	2009	\$ 261,373	\$ 40,000	\$	\$	\$ 21,025	\$ 322,398
Michael G. Moore	2011	\$ 300,000	\$ 500,000	\$ 758,000(4)	\$	\$ 24,971	\$ 1,582,971
Vice President, Chief	2010	\$ 300,000	\$ 225,000	\$ 783,000(5)	\$	\$ 28,811	\$ 1,336,811
Financial Officer and Secretary	2009	\$ 300,000	\$ 125,000	\$	\$	\$ 19,925	\$ 444,925

- (1) The amount reported in the Stock Awards column reflects the fair value of the restricted stock award on the award date. The amount was calculated using certain assumptions, as set forth in Note 9 to our consolidated financial statements for the fiscal year ended December 31, 2011, included in our Annual Report on Form 10-K, filed with the SEC on February 27, 2012.
- (2) Amounts for Mr. Liddell include our 401(k) plan contributions of \$18,846, \$22,686 and \$13,800 for 2011, 2010 and 2009, respectively, and life insurance premium payments of \$7,225 for 2009. Amounts for Mr. Palm include our 401(k) plan contributions of \$18,846, \$22,686 and \$13,800 for 2011, 2010 and 2009, respectively. The amounts for Mr. Moore for 2011, 2010 and 2009 represent our 401(k) plan contributions of \$18,846, \$22,686 and \$13,800, respectively, and \$6,125, \$6,125 and \$6,125, respectively, attributable to use of a company vehicle.
- (3) Mr. Liddell's restricted stock award of 66,667 shares of our restricted common stock vests in 12 substantially equal quarterly installments. Of this amount, 44,440 shares had vested as of December 31, 2011, 5,560 shares vested on March 18, 2012, and the 16,667 remaining unvested shares vest in three substantially equal quarterly installments on June 17, September 17 and December 17, 2012.
- (4) Mr. Moore's restricted stock award of 25,000 shares of our restricted common stock vests in five annual installments. Of this amount, 1,667 shares vested on June 17, 2011, 3,333 shares vest on June 15, 2012, 5,000 shares vest on June 17, 2013, 6,667 shares vest on June 16, 2014 and 8,333 shares vest on June 17, 2015.
- (5) Mr. Moore's restricted stock award of 45,000 shares of our restricted common stock vests in five annual installments. Of this amount, 3,000 shares vested on December 17, 2010, 6,000 shares vested on December 17, 2011, 9,000 shares vest on December 17, 2012, 12,000 shares vest on December 17, 2013 and 15,000 shares vest on December 17, 2014.

**Table of Contents****GRANTS OF PLAN-BASED AWARDS**

The following table provides information concerning each grant of an award made to our principal executive officer, our principal financial officer and our other highest paid executive officer in fiscal 2011 under any Company plan.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (#)	Target (#)	Maximum (#)				
James D. Palm Chief Executive Officer								
Mike Liddell Chairman of the Board								
Michael G. Moore Vice President, Chief Financial Officer & Secretary	05/03/2011				25,000(1)			758,000(1)

- (1) Mr. Moore's restricted stock award of 25,000 shares of our restricted common stock vests in five annual installments. Of this amount, 1,667 shares vested on June 17, 2011, 3,333 shares vest on June 15, 2012, 5,000 shares vest on June 17, 2013, 6,667 shares vest on June 16, 2014 and 8,333 shares vest on June 17, 2015. The amount was calculated using certain assumptions, as set forth in Note 9 to our consolidated financial statements for the fiscal year ended December 31, 2011, included in our Annual Report on Form 10-K, filed with the SEC on February 27, 2012.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table provides information concerning equity awards outstanding for our principal executive officer, our principal financial officer and our other highest paid executive officer at December 31, 2011.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date(1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)
James D. Palm	125,000		\$ 11.20	12/1/2015		\$
Mike Liddell	182,908		\$ 3.36	1/24/2015	22,227(3)	\$ 654,585
Michael G. Moore	20,000		\$ 9.07	9/9/2015	59,333(4)	\$ 1,747,357

- (1) The option expiration date reflects the tenth anniversary from the date of grant.  
(2) Market value of shares or units that have not vested is based on the closing price of \$29.45 per share of our common stock on The NASDAQ Global Select Market on December 30, 2011, the last trading day of 2011.  
(3) These shares of restricted stock vest in four substantially equal quarter installments on March 18, June 17, September 17 and December 17 of 2012.





**Table of Contents**

- (4) Of these unvested shares of restricted stock, (i) 36,000 shares vest in three annual installments as follows: 9,000 shares vest on December 17, 2012, 12,000 shares vest on December 17, 2013 and 15,000 shares vest on December 17, 2014; and (ii) 23,333 shares vest in four annual installments as follows: 3,333 shares vest on June 15, 2012, 5,000 shares vest on June 17, 2013, 6,667 shares vest on June 16, 2014 and 8,333 shares vest on June 17, 2015.

**OPTION EXERCISES AND STOCK VESTED**

The following table provides certain information for the named executive officers on stock option exercises during 2011, including the number of shares acquired upon exercise and the value realized, and the number of shares acquired upon the vesting of restricted stock awards.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(2)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
James D. Palm	75,000	1,617,500	16,667	473,015
Mike Liddell			22,220	631,291
Michael G. Moore	10,000	324,300	7,667	212,067

- (1) Value realized on vesting is based on the vesting date closing price per share of our common stock on The NASDAQ Global Select Market.
- (2) Value realized on exercise is based on the difference between the exercise price and the exercise date closing price per share of our common stock on The NASDAQ Global Select Market.

**DIRECTOR COMPENSATION**

The following table contains information with respect to 2011 compensation of our directors who served in such capacity during that year, except that the 2011 compensation of those directors who are also our named executive officers is disclosed in the Summary Compensation Table above.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Total (\$)
Donald L. Dillingham(1)	20,000	202,113		222,113
Craig Groeschel(1)	2,500	207,579		210,079
David L. Houston(1)	26,000			26,000
Scott E. Streller(1)	24,500			24,500

- (1) There were 6,666, 4,446, 1,667 and 1,667 shares of unvested restricted common stock outstanding at the end of 2011 for Messrs. Dillingham, Groeschel, Houston and Streller, respectively. In addition, options to purchase an aggregate of 20,000 shares of common stock were outstanding for Mr. Houston at the end of 2011.

**Retirement Plans****401(k) Plan**

We maintain a retirement savings plan, or a 401(k) Plan, for the benefit of our eligible employees who have attained the age of 18. Currently, employees may elect to defer their compensation up to the statutorily prescribed limit. During the following year, we make a safe harbor contribution equal to 3% of each eligible

## **Table of Contents**

employee's gross annual compensation for the prior calendar year. We also have the ability to make an additional, discretionary contribution based on each eligible employee's gross annual compensation for the prior calendar year. Both contributions are made, regardless of employee's deferrals into the plan. In 2010, we made a safe harbor and discretionary contribution totaling 6% for eligible employees, subject to certain limitations provided by our 401(k) plan and Internal Revenue Services' regulations. All contributions made by us on behalf of an employee are 100% vested when contributed. The 401(k) Plan is intended to qualify under Sections 401(a) and 501(a) of the Internal Revenue Code. As such, contributions to the 401(k) Plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) Plan, and all contributions are deductible by us when made.

### **Amended and Restated 2005 Stock Incentive Plan**

Our Amended and Restated 2005 Stock Incentive Plan was adopted to enable us, and any of our affiliates, to attract and retain the services of the types of employees, consultants and directors who will contribute to our long range success and to provide incentives which are linked directly to increases in share value which will inure to the benefit of our stockholders. The plan provides a means by which eligible recipients of awards may be given an opportunity to benefit from increases in value of our common stock through the granting of incentive stock options, nonstatutory stock options, restricted awards, performance awards and stock appreciation rights. Our board of directors, or a committee of the board of directors, serves as the plan administrator.

Eligible award recipients are employees, consultants and directors of ours and our affiliates. Incentive stock options may be granted only to our employees. Awards other than incentive stock options may be granted to employees, consultants and directors. The shares that may be issued pursuant to awards consist of our authorized but unissued common stock, and the maximum aggregate amount of such common stock which may be issued upon exercise of all awards in the plan, including incentive stock options, may not exceed 3,000,000 shares, subject to adjustment to reflect certain corporate transactions or changes in our capital structure. For a description of the awards granted under the plan to our named executive officers, see *Compensation Discussion and Analysis Compensation Policy Align the interests of our executives with those of our stockholders Restricted Stock Awards* above. On April 1, 2012, 356,241 shares were issuable upon exercise of outstanding options and 635,605 shares of restricted common stock had been granted under this plan. There were 713,509 shares available for future grants under this plan.

In the event of significant corporate transaction involving a change in control (as defined in the plan) of the Company, such as a dissolution or liquidation of the Company, or any corporate separation or division, including, but not limited to, a split-up, a split-off or a spin-off, or a sale in one or a series of related transactions, of all or substantially all of our assets or a merger, consolidation, or reverse merger in which we are not the surviving entity, then all outstanding stock awards under the Amended and Restated 2005 Stock Incentive Plan may, in the sole discretion of the plan administrator, be assumed, continued, or substituted for by any surviving or acquiring entity (or its parent company), or may be cancelled either with or without consideration for the vested portion of the awards. In the event an option award would be cancelled without consideration paid to the extent vested, the option award recipient may exercise the option award in full or in part for a period of ten days. The plan administrator may also exercise its discretionary authority to accelerate the vesting of an award under the Amended and Restated 2005 Stock Incentive Plan in the event of a change in control.

**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth, as of December 31, 2011, certain information with respect to all compensation plans under which equity securities are authorized for issuance.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)(1)(2)	Weighted average exercise price of outstanding options, warrants and rights (b)(3)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(c)
Equity compensation plans approved by security holders(1)	559,589	\$ 6.51	881,009
Equity compensation plans not approved by security holders			

- (1) Refers to our Amended and Restated 2005 Stock Incentive Plan and our 1999 Stock Option Plan.
- (2) Includes 203,348 shares of unvested restricted common stock granted under our Amended and Restated 2005 Stock Incentive Plan.
- (3) The weighted average exercise price does not take into account shares of restricted common stock because they have no exercise price.

**Employment Agreements****What are the terms of the employment agreements with our executive officers?**

In May 1999, we entered into an employment agreement with Mike Liddell, our Chairman of the Board. The agreement had an initial five-year term and automatically renews for successive one-year terms thereafter. The agreement provides for an annual base salary of \$200,000, adjusted for cost of living increases. As a result of these increases, Mr. Liddell's base salary had risen to \$273,861 effective as of June 1, 2011. Upon termination of Mr. Liddell's employment by us without cause, Mr. Liddell is entitled to receive twelve months of his then current base salary, and all of his then unexercisable options will become exercisable. The agreement also restricts Mr. Liddell's use or disclosure of any of our confidential information during the term of the agreement and for a period of five years thereafter. In February 2012, the compensation committee evaluated the need for a new employment agreement with our Chairman of the Board to, among other things, increase his annual salary to \$300,000 to be commensurate with the level of responsibility such named executive officer has with the Company.

We also entered into an oral agreement with James D. Palm, our Chief Executive Officer, with respect to his compensation and benefits, pursuant to which Mr. Palm is entitled to an annual salary of \$200,000 and, at the discretion of our board of directors, an annual cash incentive bonus. For 2011, Mr. Palm's annual salary was \$225,000. In October 2011, the compensation committee increased Mr. Palm's annual salary, effective August 16, 2011, to \$250,000. Mr. Palm is also eligible to participate in all insurance, retirement and benefits plans available to our other employees. In February 2012, the compensation committee evaluated the need for a new employment agreement with our Chief Executive Officer to, among other things, increase his annual salary to \$300,000 to be commensurate with the level of responsibility such named executive officer has with the Company.

In February 2012, the compensation committee also evaluated the need for an employment agreement with our Chief Financial Officer.

## **Table of Contents**

The compensation committee believes that our entry into these employment agreements with our named executive officers would allow us to continue to retain their services and provide certain protections to such named executive officers commensurate with industry practices. The compensation committee determined to negotiate these employment agreements with our named executive officers and consider our entry into such employment agreements at the compensation committee's May 2012 meeting.

### **Change in Control Arrangements**

Our named executive officers do not currently have any change in control arrangements, except that Mr. Liddell's employment agreement provides that upon termination of Mr. Liddell's employment by us without cause, Mr. Liddell is entitled to receive twelve months of his then current base salary, and all of his then unexercisable options will become exercisable. See Employment Agreements above. In addition, our Amended and Restated 2005 Stock Incentive Plan provides that in the event of a significant corporate transaction involving a change in control of the Company, such as a dissolution or liquidation of us, or any corporate separation or division, including, but not limited to, a split-up, a split-off or a spin-off, or a sale in one or a series of related transactions, of all or substantially all of our assets or a merger, consolidation, or reverse merger in which we are not the surviving entity, then all outstanding stock awards under the Amended and Restated 2005 Stock Incentive Plan may, in the sole discretion of the plan administrator, be assumed, continued, or substituted for by any surviving or acquiring entity (or its parent company), or may be cancelled either with or without consideration for the vested portion of the awards. In the event an award would be cancelled without consideration paid to the extent vested, the award recipient may exercise the award in full or in part for a period of ten days. The plan administrator may also exercise its discretionary authority to accelerate the vesting of an award under the Amended and Restated 2005 Stock Incentive Plan in the event of a change in control.

Potential payments to our Chief Executive Officer and our other named executive officers upon termination or following a change in control event are set forth under the heading Potential Payments upon Termination or Change-in-Control below.

### **Potential Payments Upon Termination or Change-in-Control**

If Mr. Liddell had been terminated at December 31, 2011 without cause, he would have been entitled to \$273,861 in cash severance payments. If Messrs. Palm and Moore had been terminated at December 31, 2011 for any reason, they would have been entitled to no cash severance payments.

**Table of Contents****Stock Ownership****Holdings of Major Stockholder**

The following table sets forth certain information regarding the beneficial ownership as of April 1, 2012 of shares of our common stock by each person or entity known to us to be a beneficial owner of 5% or more of our common stock.

**MAJOR STOCKHOLDER TABLE**

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Percent of Class
Charles E. Davidson 411 W. Putnam Avenue  Greenwich, CT 06830	5,336,526(2)	9.5%
BlackRock, Inc. 40 East 52 <sup>nd</sup> Street  New York, NY 10022	3,502,285(3)	6.3%
Neuberger Berman Group LLC 605 Third Avenue  New York, NY 10158	3,415,610(4)	6.1%

- (1) Beneficial ownership is determined in accordance with SEC rules. The percentage of shares beneficially owned is based on 55,992,219 shares of common stock outstanding as of April 1, 2012, including 342,502 shares of restricted common stock awarded under our Amended and Restated 2005 Stock Incentive Plan, but not yet vested.
- (2) Based solely on Form 4 filed with the SEC on March 13, 2012 by Charles E. Davidson. Represents 5,336,526 shares of common stock held by CD Holding Company, LLC. Mr. Davidson is the manager and a member of CD Holding Company, LLC and the Chairman and Chief Investment Officer of Wexford Capital LP.
- (3) Based solely on Schedule 13G filed with the SEC on February 9, 2012 by BlackRock, Inc. BlackRock, Inc. reported sole voting and dispositive power of such shares of common stock.
- (4) Based solely on Schedule 13G filed with the SEC on February 14, 2012 by Neuberger Berman Group LLC, Neuberger Berman LLC, Neuberger Berman Management LLC and Neuberger Berman Equity Funds. Neuberger Berman Group LLC may be deemed to be a beneficial owner of shares of common stock because certain affiliated persons have shared power to retain or dispose of certain reported shares of common stock held by many unrelated clients. Neuberger Berman Group LLC or its affiliated persons do not, however, have any economic interest in the securities of those clients. The clients are the actual owners of the securities and have the sole right to receive and the power to direct the receipt of dividends or proceeds from the sale of such securities. No one client has an interest of more than 5% of the issuer. The aggregate reported shares include 3,036,750 shares of common stock of which Neuberger Berman Group LLC may be deemed to be the beneficial owner because certain affiliated persons have shared power to retain, dispose of and vote these shares. Each of Neuberger Berman LLC and Neuberger Berman Management LLC serve as a sub-adviser and investment manager, respectively, of Neuberger Berman Group LLC's various registered mutual funds which hold such shares in the ordinary course of their business. The aggregate reported shares also include 378,850 shares of common stock held in individual client accounts over which Neuberger Berman LLC has shared power to dispose but does not have voting power over these shares. The shares held by Neuberger Berman Trust Co N.A., Neuberger Berman Trust Co of Delaware N.A., NB Alternative Fund Management LLC, NB Alternatives Advisers LLC and Neuberger Berman Fixed Income LLC, affiliates of Neuberger Berman LLC, are also included in the aggregate reported shares. Each of Neuberger Berman Group LLC, Neuberger Berman LLC, Neuberger Berman Management LLC and certain affiliated persons disclaimed beneficial ownership of the reported shares of common stock.



**Table of Contents****Holdings of Officers and Directors**

The following table sets forth certain information regarding the beneficial ownership as of April 1, 2012 of shares of our common stock by each of our directors, by each named executive officer and by all directors and executive officers as a group:

Name of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Percent of Class
Mike Liddell(2)	800,288	1.4%
Donald L. Dillingham(3)	11,934	*
Craig Groeschel(4)	9,166	*
David L. Houston(5)	26,666	*
Scott E. Streller(6)	12,632	*
James D. Palm(7)	241,387	*
Michael G. Moore(8)	121,000	*
Directors and Executive Officers as a Group (7 persons)	1,223,073	2.2%

\* Less than 1%.

- (1) Beneficial ownership is determined in accordance with SEC rules. In computing percentage ownership of each person, shares of common stock subject to options held by that person that are exercisable as of April 1, 2012, or exercisable within 60 days of April 1, 2012, are deemed to be beneficially owned. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of each other person. The percentage of shares beneficially owned is based on 55,992,219 shares of common stock outstanding as April 1, 2012, including 342,502 shares of restricted common stock awarded under our Amended and Restated 2005 Stock Incentive Plan, but not yet vested. Unless otherwise indicated, all amounts exclude shares issuable upon the exercise of outstanding options that are not exercisable as of April 1, 2012 or within 60 days of April 1, 2012.
- (2) Represents (i) 544,132 shares of our common stock held by Mr. Liddell directly, (ii) 37,500 unvested shares of restricted common stock granted under the Amended and Restated 2005 Stock Incentive Plan, which vest in 11 quarterly installments, with 7,500 shares vesting during the remainder of 2012, 20,000 shares vesting in 2013 and 10,000 shares vesting in 2014, (iii) 16,667 unvested shares of restricted common stock granted under the Amended and Restated 2005 Stock Incentive Plan, which vest in three substantially equal quarterly installments during the period June 17, 2012 through December 17, 2012, (iv) 19,081 shares of our common stock held by Liddell Investments LLC, an entity controlled by Mr. Liddell, of which shares Mr. Liddell may be deemed to be the beneficial owner, and (v) options to purchase 182,908 shares of our common stock, all of which are fully vested and exercisable as of April 1, 2012.
- (3) Represents (i) 2,220 shares of our common stock held by Mr. Dillingham directly, (ii) 4,446 unvested shares of our common stock granted under the Amended and Restated 2005 Stock Incentive Plan, of which 2,220 shares vest on March 18, 2013 and 2,226 shares of March 18, 2014 and (iii) 5,268 shares of our common stock held by Donald L. Dillingham Trust, of which Mr. Dillingham is a trustee.
- (4) Represents (i) 4,720 shares of our common stock held by Mr. Groeschel directly, (ii) 4,446 unvested shares of our common stock granted under the Amended and Restated 2005 Stock Incentive Plan, of which 2,220 shares vest on December 14, 2012 and 2,226 shares vest on December 16, 2013.
- (5) Represents (i) 4,999 shares of our common stock held by Mr. Houston directly, (ii) 1,112 unvested shares of restricted common stock granted under the Amended and Restated 2005 Stock Incentive Plan, which vest in two substantially equal quarterly installments during the period June 17, 2012 through September 17, 2012 and (iii) options to purchase 20,000 shares of our common stock, all of which are fully vested and exercisable as of April 1, 2012.
- (6) Represents (i) 10,965 shares of our common stock held by Mr. Streller directly and (ii) 1,112 unvested shares of our restricted common stock granted under the Amended and Restated 2005 Stock Incentive Plan, which vest in two substantially equal quarterly installments during the period June 17, 2012 through September 17, 2012.

**Table of Contents**

- (7) Represents (i) 10,000 shares of our common stock, of which Mr. Palm and his spouse, Terri Palm, have shared voting and dispositive powers, (ii) 48,262 shares of our common stock held by Mr. Palm directly, (iii) 58,125 unvested shares of restricted common stock granted under the Amended and Restated 2005 Stock Incentive Plan, which shares vest in 11 remaining quarterly installments, with 28,125 shares vesting during the remainder of 2012, 20,000 shares vesting in 2013 and 10,000 shares vesting in 2014, and (iv) options to purchase 125,000 shares of our common stock, all of which are fully vested and exercisable as of April 1, 2012.
- (8) Represents (i) 7,917 shares of our common stock held by Mr. Moore directly, (ii) 33,750 unvested shares of restricted common stock granted under the Amended and Restated 2005 Stock Incentive Plan, which shares vest in 11 remaining quarterly installments, with 18,750 shares vesting during the remainder of 2012, 10,000 shares vesting in 2013 and 5,000 shares vesting in 2014, (iii) 23,333 unvested shares of restricted common stock granted under the Amended and Restated 2005 Stock Incentive Plan, which shares vest in four remaining annual installments of 3,333 shares on June 15, 2012, 5,000 shares on June 17, 2013, 6,667 shares on June 16, 2014 and 8,333 shares on June 17, 2015, (iv) 36,000 unvested shares of restricted common stock granted under the Amended and Restated 2005 Stock Incentive Plan, which shares vest in three remaining annual installments of 9,000 shares on December 17, 2012, 12,000 shares on December 17, 2013 and 15,000 shares on December 17, 2014 and (v) options to purchase 20,000 shares of our common stock, all of which are fully vested and exercisable as of April 1, 2012.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC and to furnish us with copies of the forms they file. To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations of our officers and directors, all Section 16(a) reports for the year ended December 31, 2011 applicable to our officers and directors and such other persons were filed on a timely basis.



## **Table of Contents**

### **Certain Relationships and Related Transactions**

#### **Review and Approval of Related Party Transactions**

The Audit Committee, as provided in its charter, reviews and approves related party transactions. The Company does not have a formal set of standards to be substantively applied to each transaction reviewed by the Audit Committee. Instead of a formalized policy, related party transactions are reviewed and judgment is applied to determine whether such transactions are in the best interests of the Company. Further, the Company's Code of Business Conduct and Ethics governs various compliance areas, including conflicts of interest and fair dealings, which are considered in the process of the review and approval of related party transactions.

The Company's policy that all of its employees and directors, as well as their family members, must avoid any activity that is or has the appearance of conflicting with the Company's business interest. This policy is a written policy included in the Company's Code of Business Conduct and Ethics posted on its website. Each director and executive officer is instructed to always inform the designated compliance officer when confronted with any situation that may be perceived as a conflict of interest. Only the board of directors or a committee consisting solely of independent directors may grant waivers of the provisions of the Code of Business Conduct and Ethics for the Company's executive officers and directors. In addition, at least annually, each director and executive officer completes a detailed questionnaire specifying any business relationship that may give rise to a conflict of interest.

Further, under the Audit Committee Charter, the Audit Committee is responsible for reviewing and monitoring compliance with our Code of Business Conduct and Ethics and recommending any warranted changes to the board of directors. In addition, the board of directors and, pursuant to its written charter, the Audit Committee, reviews and approves all relationships and transactions in which the Company and its directors, director nominees and executive officers and their immediate family members, as well as holders of more than 5% of any class of our voting securities and their family members, have a direct or indirect material interest. The board of directors and the Audit Committee approve only those transactions that, in light of known circumstances, are consistent, or are not inconsistent with, the Company's best interests, as they determine in the good faith exercise of their discretion.

#### **Administrative Services Agreements**

We are a party to administrative service agreements with Stampede Farms LLC, which we refer to as Stampede Farms, Everest Operations Management LLC, which we refer to as Everest, and Tatex Thailand III, LLC, which we refer to as Tatex III. Under these agreements, our services include professional and technical support and the fees for such services can be amended by mutual agreement of the parties. Each of these administrative service agreements may be cancelled (1) by us with at least 60 days prior written notice and, (2) by the counterparty at any time with at least 30 days prior written notice to us and (3) by either party if the other party is in material breach and such breach has not been cured within 30 days of receipt of written notice of such breach. We did not provide services under any of these agreements in 2011 and received no reimbursements thereunder. Each of Stampede Farms, Everest and Tatex III is controlled by Wexford Capital LP, or Wexford.

#### **Services Provided to Us by Our Affiliates**

We contract with Athena Construction, L.L.C., which we refer to as Athena, to provide barge services in our West Cote Blanche Bay, or WCBB, and Hackberry fields located along the Louisiana Gulf Coast. For the year ended December 31, 2011, we paid Athena \$3,389,000 and owed an additional \$676,000 for such services at that date. Athena is controlled by Wexford.

## **Table of Contents**

Effective March 1, 2008, Everest provides tax planning, preparation of supporting tax schedules and consultation services to us based on an agreed fee structure. The scope of such services can be modified with the mutual agreement of the parties. Everest is controlled by Wexford. We paid Everest \$5,000 for these services in 2011.

Caliber Development Company, LLC, or Caliber, provides building maintenance services for our headquarters in Oklahoma City, Oklahoma. For the year ended December 31, 2011, we paid Caliber \$20,000 and owed an additional \$2,000 at that date. Caliber is an entity controlled by Wexford.

Great White Directional Services LLC, which we refer to as Directional, performs directional drilling services for us at our WCBB and Hackberry fields. Directional was an entity controlled by Wexford until August 24, 2011 when it was sold to an unrelated third party. Directional is no longer a related party. While still a related party, we paid Directional approximately \$2,625,000 and owed an additional \$1,133,000 for such services at that date.

Great White Pressure Control, which we refer as Pressure Control, performs services for us at our WCBB field. Pressure Control was an entity controlled by Wexford until August 24, 2011 when it was sold to an unrelated third party. Pressure Control is no longer a related party. While still a related party, we paid Pressure Control approximately \$80,000. No amounts were owed to Pressure Control as of August 24, 2011.

Black Fin P&A, LLC, which we refer to as Black Fin, performs plugging and abandonment services for us at our WCBB field. For the year ended December 31, 2011, we did not pay any amounts to Black Fin and owed \$436,000 for such services at that date. Black Fin is an entity controlled by Wexford.

## **Our Investments in Affiliates and Related Agreements**

We have a 23.5% ownership interest in Tatex Thailand II, LLC, or Tatex II. The remaining interests in Tatex II are owned by other entities controlled by Wexford. Tatex II holds 85,122 of the 1,000,000 outstanding shares of APICO, LLC, or APICO, an international oil and gas exploration company. APICO has a reserve base located in Southeast Asia through its ownership of concessions covering two million acres which includes the Phu Horm Field. During 2011, we received \$870,000 in distributions from Tatex II.

We have a 17.9% ownership interest in Tatex III. Tatex III owns a concession covering approximately one million acres in Thailand. Approximately 68.7% of the remaining interests in Tatex III are owned by other entities and individuals affiliated with Wexford. During the year ended December 31, 2011, we paid \$3,794,000 in cash calls to Tatex III.

We own a 24.9999% interest in Grizzly, a Canadian unlimited liability company, through our wholly owned subsidiary Grizzly Holdings, Inc. The remaining interests in Grizzly are owned by other entities controlled by Wexford. As of December 31, 2011, Grizzly had approximately 754,000 acres under lease in the Athabasca region located in the Alberta Province near Fort McMurray. Grizzly Holdings Inc. entered into a loan agreement with Grizzly effective January 1, 2008, under which Grizzly borrowed funds from us. Borrowed funds initially bore interest at LIBOR plus 4% and had an original maturity date of December 31, 2012. Effective April 1, 2010, the loan agreement was amended to modify the interest rate to 0.69% and change the maturity date to December 31, 2011. Effective October 15, 2010, the loan agreement was further amended to change the maturity date to December 31, 2012. Interest was paid on a paid-in-kind basis by increasing the outstanding balance of the loan. During the year ended December 31, 2011, we loaned Grizzly approximately \$3,182,000 and recognized interest income of approximately \$147,000. Effective December 7, 2011, Grizzly Holdings Inc. entered into a debt settlement agreement with Grizzly under which Grizzly agreed to satisfy the entire outstanding debt and accrued interest of \$22,325,000 by issuing additional common shares of Grizzly with no effect to the ownership structure of Grizzly.

---

## **Table of Contents**

During the third quarter of 2011, we purchased a 25% ownership interest in Bison Drilling and Field Services LLC, or Bison, at a cost of \$6,009,000, subject to adjustment. In April 2012, we increased our ownership interest in Bison to 40% for an additional payment of \$6,152,000. The remaining interests in Bison are owned by entities controlled by Wexford, including Windsor Permian LLC, or Windsor. Bison owns and operates drilling rigs.

During the fourth quarter of 2011, we purchased a 25% ownership interest in Muskie Holdings LLC, or Muskie, at a cost of \$2,142,000, subject to adjustment. The remaining interests in Muskie are owned by entities controlled by Wexford, including Windsor. Muskie holds certain assets, real estate and rights in a lease covering land in Wisconsin that is prospective for mining oil and natural gas fracture grade sand.

### **Area of Mutual Interest and Related Agreements**

Effective as of November 1, 2007, we and Windsor entered into an area of mutual interest agreement to jointly acquire oil and gas leases in the Permian Basin. The agreement provides that each party must offer the other party the right to participate in 50% of each such acquisition. The parties also agreed, subject to certain exceptions, to share third-party costs and expenses in proportion to their respective participating interests and pay certain other fees as provided in the agreement. During 2011, we acquired approximately 604 net acres from Windsor under the terms of this agreement for an aggregate of \$1,102,000. Windsor is controlled by Wexford.

Windsor is the operator of all of our acreage in the Permian Basin. As operator of these properties, Windsor is responsible for the daily operations, monthly operation billings and monthly revenue disbursements for the properties in which we hold an interest. For the year ended December 31, 2011, Windsor billed us approximately \$56,103,000 and at December 31, 2011, we owed \$5,593,000 for these services.

Effective April 1, 2010, we entered into an area of mutual interest agreement with Windsor Niobrara LLC, which we refer to as Windsor Niobrara, to jointly acquire oil and gas leases on certain lands located in Northwest Colorado for the purpose of exploring, exploiting and producing oil and gas from the Niobrara Formation. The agreement provides that each party must offer the other party the right to participate in such acquisitions on a 50/50 basis. The parties also agreed, subject to certain exceptions, to share third-party costs and expenses in proportion to their respective participating interests and pay certain other fees as provided in the agreement. We are the operator of this acreage in the Niobrara Formation. As operator, we are responsible for daily operations, monthly operation billings and monthly revenue disbursements for these properties. For the year ended December 31, 2011, we billed Windsor Niobrara \$6,642,000 and, at December 31, 2011, Windsor Niobrara owed us \$3,557,000 for these services. Windsor Niobrara is controlled by Wexford.

In February 2011, we entered into an agreement with an unrelated third party to acquire certain leasehold interests in acreage located in the Utica Shale in Ohio. The agreement also granted us an exclusive right of first refusal for a period of six months on certain additional tracts leased by the seller. As of December 31, 2011, we had acquired leasehold interests in approximately 98,000 gross (49,000 net) acres in the Utica Shale in Eastern Ohio under these and other agreements for approximately \$118,421,000. As of February 20, 2012, we had closed on additional acquisitions bringing our leasehold interests to approximately 107,000 gross (53,500 net) acres. We have commitments with various future closing dates that could increase our acreage position in the Utica Shale to an aggregate of approximately 125,000 gross (62,500 net) leasehold acres. Entities affiliated with Wexford, primarily Windsor Ohio LLC, or Windsor Ohio, participated with us on a 50/50 basis in the acquisition of the leases described above and, at December 31, 2011, held leasehold interests in approximately 49,000 net acres for which they paid approximately \$118,413,000, excluding fees and expenses of \$1,184,000 billed under the acquisition team agreement described below. We are the operator on this acreage in the Utica Shale.

Effective July 1, 2008, we entered into an acquisition team agreement with Everest to identify and evaluate potential oil and gas properties in which we and Everest or its affiliates may wish to invest. Pursuant to this agreement, Gulfport and Everest each agreed to form an acquisition team. Upon a successful closing of an acquisition or divestiture, the party whose acquisition team identified the acquisition or divestiture is entitled to

## **Table of Contents**

receive a fee from the other party and its affiliates, if applicable, participating in such closing. The fee is equal to 1% of the party's proportionate share of the acquisition or divestiture consideration. The agreement has a one-year term unless earlier terminated by either party upon 30 days notice.

From time to time, certain of our petroleum engineers provide services relating to evaluation of potential investments to Wexford and geological evaluations, seismic review and similar services to Tatex II and Tatex III. Wexford, Tatex II and Tatex III, respectively, have agreed to reimburse us based on the amount, scope and nature of services provided by our petroleum engineers to such entities. We did not provide any services under these arrangements in 2011.

### **Our Relationships with Wexford and its Affiliates**

Charles E. Davidson is the Chairman and Chief Investment Officer of Wexford and he beneficially owned approximately 16.8% of our outstanding common stock as of December 31, 2011. Wexford is the manager of the Wexford-controlled entities described above. As manager, Wexford has the exclusive authority to, among other things, purchase, hold and dispose of the assets of each such entity. Mr. Liddell, our Chairman of the Board, is the operating member and, in some cases, an officer, of certain of these entities. All distributions made by these entities are first paid to the Wexford members in accordance with their respective ownership interests until they have received amounts equal to their respective capital contributions. Thereafter, distributions are to be made 90% to the Wexford members in accordance with their respective ownership interests and 10% to Mr. Liddell. Mr. Liddell is not currently entitled to, and has not received, distributions from any of these entities. All transactions between us and these entities are reviewed and approved by our independent directors.

**Table of Contents**

**Proposal to Approve, on an Advisory Basis, the Company's Executive Compensation**

**(Item 2 on the Proxy Card)**

In accordance with the Dodd-Frank Act, our board of directors is providing our stockholders with a non-binding advisory vote on the Company's executive compensation as reported in this proxy statement, or say on pay vote. The Company's stockholders are being asked to vote on the following resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby approved.

While the vote on executive compensation is non-binding and solely advisory in nature, our board of directors and the Compensation Committee will review and consider the say on pay voting results when making future decisions regarding our executive compensation program.

Stockholders are encouraged to carefully review the Compensation Discussion and Analysis section of this proxy statement, which discusses in detail the Company's compensation policy and compensation arrangements which the Company believes are appropriate and reasonably consistent with market practice and with the long-term interests of the Company and its stockholders. In furtherance of the Company's goals and objectives, the Compensation Committee, among other things, ensures that the Company's executive compensation arrangements (i) do not incentivize executives to take unnecessary risks, (ii) do not include excessive change in control provisions and (iii) include long-term vesting provisions in the restricted stock grants to encourage executives to focus on long-term performance.

**Board Voting Recommendation**

The board of directors unanimously recommends that stockholders vote FOR this Proposal 2.

**Table of Contents**

**Proposal to Ratify the Appointment of Our Independent Auditors**

**(Item 3 on the Proxy Card)**

**What am I voting on?**

You are voting on a proposal to ratify the appointment of Grant Thornton LLP as our independent auditors for fiscal year 2012. The Audit Committee has appointed Grant Thornton to serve as independent auditors.

**What services do the independent auditors provide?**

Audit services of Grant Thornton for fiscal 2011 included an audit of our consolidated financial statements and services related to periodic filings made with the SEC. Additionally, Grant Thornton provided certain services related to the consolidated quarterly reports and annual and other periodic reports, registration statements and comfort letters and other services as described below.

**How much were the independent auditors paid in 2010 and 2011?**

Grant Thornton's fees for professional services totaled \$376,556 for 2010 and \$440,960 for 2011. Grant Thornton's fees for professional services included the following:

*Audit Fees* aggregate fees for audit services, which relate to the fiscal year consolidated audit, quarterly reviews, registration statements, comfort letters, statutory and regulatory audits and accounting consultations were \$376,556 in 2010 and \$440,960 in 2011.

*Audit-Related Fees* aggregate fees for audit-related services, consisting of audits in connection with proposed or consummated dispositions, benefit plan audits, other subsidiary audits, special reports, and accounting consultations, were \$0 in 2010 and \$0 in 2011.

*Tax and All Other Fees* there were no tax or other fees for products or services provided by Grant Thornton in addition to the services described above in 2010 or 2011.

**Does the Audit Committee approve the services provided by Grant Thornton?**

It is our audit committee's policy to pre-approve all audit, audit related and permissible non-audit services rendered to us by our independent auditor. Consistent with such policy, all of the fees listed above that we incurred for services rendered by Grant Thornton LLP in fiscal 2010 and 2011 were pre-approved by our audit committee. No non-audit services were provided to us by Grant Thornton in 2010 or 2011.

**Will a representative of Grant Thornton LLP be present at the meeting?**

Yes, one or more representatives of Grant Thornton will be present at the meeting. The representatives will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions from the stockholders.

**What vote is required to approve this proposal?**

Stockholder ratification of the appointment of our independent auditors is not required by the Company's bylaws or otherwise. However, we are submitting this proposal to the stockholders as a matter of good corporate practice. Approval of this proposal requires the affirmative vote of a majority of the votes cast on the proposal. If the appointment of Grant Thornton is not ratified, the Audit Committee will reconsider the appointment. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different independent audit firm at any time during the year if it is determined that such change would be in best interests of the Company and its stockholders.



## **Table of Contents**

### **Has Grant Thornton LLP always served as Gulfport's independent auditors?**

Grant Thornton has served as our independent auditors since 2005.

### **What does the board of directors recommend?**

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE YEAR 2012.**

### **Solicitation by Board; Expenses of Solicitation**

Our board of directors has sent you this proxy statement. Our directors, officers and employees may solicit proxies by mail, by telephone or in person. Those persons will receive no additional compensation for any solicitation activities. We will request banking institutions, brokerage firms, custodians, trustees, nominees and fiduciaries to forward solicitation materials to the beneficial owners of common stock held of record by those entities, and we will, upon the request of those record holders, reimburse reasonable forwarding expenses. We will pay the costs of preparing, printing, assembling and mailing the proxy material used in the solicitation of proxies.

### **Submission of Future Stockholder Proposals**

Under SEC rules, a stockholder who intends to present a proposal, including the nomination of directors, at the 2013 Annual Meeting of Stockholders and who wishes the proposal to be included in the proxy statement for that meeting must submit the proposal in writing to our Corporate Secretary. The proposal must be received no later than January 8, 2013.

Stockholders who wish to propose a matter for action at the 2013 Annual Meeting, including the nomination of directors, but who do not wish to have the proposal or nomination included in the proxy statement, must notify the Company in writing of the information required by the provisions of our by-laws dealing with stockholder proposals. The notice must be delivered to our Corporate Secretary between February 8, 2013 and March 9, 2013. You can obtain a copy of our by-laws by writing the Corporate Secretary at the address below, or via the Internet at [www.gulfportenergy.com](http://www.gulfportenergy.com) under our Corporate Governance caption.

All written proposals should be directed to Michael G. Moore, Corporate Secretary, Gulfport Energy Corporation, 14313 North May Avenue, Suite 100, Oklahoma City, Oklahoma 73134.

The board of directors is responsible for selecting and recommending director candidates and will consider nominees recommended by stockholders. If you wish to have the board of directors consider a nominee for director, you must send a written notice to our Corporate Secretary at the address provided above and include the information required by our by-laws and discussed on page 10 of this proxy statement.

### **Availability of Form 10-K and Annual Report to Stockholders**

SEC rules require us to provide an Annual Report to stockholders who receive this proxy statement. Additional copies of the Annual Report, along with copies of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, including the financial statements and the financial statement schedules, are available without charge to stockholders upon written request to Director of Investor Relations, Gulfport Energy Corporation, 14313 North May Avenue, Suite 100, Oklahoma City, Oklahoma 73134 or via the Internet at [www.gulfportenergy.com](http://www.gulfportenergy.com). We will furnish the exhibits to our Annual Report on Form 10-K upon payment of our copying and mailing expenses.



**Table of Contents**

**Householding**

The SEC permits a single set of annual reports and proxy statements to be sent to any household at which two or more stockholders reside if they appear to be members of the same family. Each stockholder continues to receive a separate proxy card. This procedure, referred to as householding, reduces the volume of duplicate information stockholders receive and reduces our mailing and printing expenses.

If you would like to receive your own set of the annual report and proxy statement this year or in future years, follow the instructions described below. Similarly, if you share an address with another Gulfport stockholder and together both of you would like to receive in the future only a single annual report and proxy statement, follow these instructions:

If your shares of our common stock are registered in your own name, please contact our transfer agent, Computershare Trust Company, N.A., and inform them of your request by calling their toll-free number: (800) 962-4284 or by mail: Computershare Trust Company, N.A., 250 Royall Street, Canton, MA 02021.

If a broker or other nominee holds your shares, please contact your broker or nominee.

**Other Matters**

The board of directors does not intend to present any other items of business other than those stated in the Notice of Annual Meeting of Stockholders. If other matters are properly brought before the meeting, the persons named as your proxies will vote the shares represented by it in accordance with their best judgment. Discretionary authority to vote on other matters is included in the proxy.

**Table of Contents****PROXY****FOR THE ANNUAL MEETING OF STOCKHOLDERS OF****Gulfport Energy Corporation****This Proxy Is Solicited On Behalf Of The Board Of Directors**

The undersigned hereby appoints Mike Liddell, James D. Palm and Michael G. Moore (together, the Proxies), and each of them, with full power of substitution, as proxies to vote the shares that the undersigned is entitled to vote at the Annual Meeting of Stockholders of Gulfport Energy Corporation (the Company) to be held on June 7, 2012 at 10:00 a.m. Oklahoma City time and at any adjournments and postponements thereof. Such shares shall be voted as indicated with respect to the proposals listed on the reverse side hereof and in the Proxies' discretion on such other matters as may properly come before the meeting or any adjournment or postponement thereof.

The undersigned acknowledges receipt of the 2012 Notice of Annual Meeting and accompanying Proxy Statement and revokes all prior proxies for said meeting.

THE SHARES REPRESENTED BY THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO SPECIFIC DIRECTION IS GIVEN AS TO THE PROPOSALS ON THE REVERSE SIDE, THIS PROXY WILL BE VOTED FOR EACH OF THE NOMINEES NAMED IN PROPOSAL 1 AND FOR EACH OF THE PROPOSALS 2 AND 3 IN ACCORDANCE WITH THE BOARD OF DIRECTOR'S RECOMMENDATION. PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY.

**(Continued and to be marked, dated and signed on reverse side.)**

Ù Detach here from proxy voting card. Ù

**GULFPORT ENERGY CORPORATION**

	FOR	WITHHOLD AUTHORITY		
	all nominees listed (except as withheld)	to vote for nominees listed		
	..	..		
Proposal 1 - ELECTION OF DIRECTORS				
01	Mike Liddell	..	..	
02	Donald Dillingham	..	..	
03	Craig Groeschel	..	..	
04	David L. Houston	..	..	
05	James D. Palm	..	..	
06	Scott E. Streller	..	..	
Proposal 2	Proposal to approve, on an advisory basis, the Company's executive compensation	FOR ..	AGAINST ..	ABSTAIN ..
Proposal 3	Proposal to ratify the appointment of Grant Thornton LLP as the Company's independent auditors for the fiscal year ending December 31, 2012	FOR	AGAINST	ABSTAIN

Edgar Filing: GULFPORT ENERGY CORP - Form DEF 14A

This proxy, when properly signed, will be voted in the manner directed herein by the undersigned stockholder. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL NOMINEES FOR ELECTION OF DIRECTORS UNDER PROPOSAL 1 AND FOR EACH OF THE PROPOSALS 2 AND 3 IN ACCORDANCE WITH THE BOARD OF DIRECTOR S RECOMMENDATION.

IMPORTANT PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY. THANK YOU FOR VOTING.

Signature \_\_\_\_\_ Signature, if held jointly \_\_\_\_\_ Dated \_\_\_\_\_, 2012

**Table of Contents**

When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by an authorized person.

**Proxy Gulfport Energy Corporation.**

**You are cordially invited to attend the Annual Meeting of Stockholders**

**To be held on June 7, 2012, at**

**10:00 a.m. Oklahoma City time, at**

**14313 North May Avenue, Suite 100, Oklahoma City, Oklahoma 73134.**