PRIMA ENERGY CORP
Form DEF 14A
April 16, 2004

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
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Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
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PRIMA 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.
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1) Amount Previously Paid:

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PRIMA ENERGY CORPORATION

1099 18th Street, Suite 400
Denver, Colorado 80202
(303) 297-2100

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 20, 2004

Notice is hereby given that the Annual Meeting of Stockholders of Prima Energy Corporation, a Delaware corporation, will be convened at 3:00 p.m., Mountain Daylight Time, on Thursday, May 20, 2004, in the Grand Ballroom, The Oxford Hotel, 1600 17th Street, Denver, Colorado, 80202 for the following purposes:

1. To elect two (2) directors, as the Class I directors, for the term expiring in 2007 or until their respective successors shall be elected and qualified;

2. To approve an amendment to Prima s Non-Employee Directors Stock Option Plan increasing the number of shares available for issuance under the Plan from 225,000 to 400,000;

3. To consider and vote upon a proposal to ratify the selection of Deloitte & Touche LLP to serve as independent auditors of Prima Energy Corporation, for fiscal 2004; and

4. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on April 12, 2004 are entitled to notice of and to vote at the meeting.

Stockholders are cordially invited to attend the meeting in person. Whether or not you plan to be present at the meeting, you are requested to sign and return the enclosed proxy in the enclosed envelope so that your shares may be voted in accordance with your wishes and in order that the presence of a quorum may be assured. The giving of such proxy will not affect your right to vote in person, should you later decide to attend the meeting. Please date and sign the enclosed proxy and return it promptly in the enclosed envelope. Your vote is important.

By Order of the Board of Directors

SANDRA J. IRLANDO
Secretary

Denver, Colorado
April 16, 2004

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PROXY STATEMENT

PRIMA ENERGY CORPORATION
1099 18th Street, Suite 400
Denver, Colorado 80202
(303) 297-2100

ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 20, 2004

GENERAL

This Proxy Statement is furnished in connection with the solicitation of Proxies by the Board of Directors of Prima Energy Corporation (hereinafter the Company or Prima), Suite 400, 1099 18th Street, Denver, Colorado 80202. The Proxy Statement is to be used at the Annual Meeting of Stockholders (the Meeting) to be held in the Grand Ballroom, The Oxford Hotel, 1600 17th Street, Denver, Colorado, on Thursday, May 20, 2004, at 3:00 p.m., for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and the enclosed Proxy Card were sent to stockholders on or about April 16, 2004.

The Company will pay for all expenses for soliciting Proxies, including clerical work, printing and postage. The Company will reimburse brokers and other persons holding stock in their names, or in the name of nominees, for their expenses in sending Proxy materials to principals and obtaining their Proxies. In addition to solicitations by mail, employees and directors of the Company may solicit Proxies personally or by telephone, facsimile or other form of wire or electronic communication. Such persons will receive no additional compensation for such services.

Shares represented by a properly executed Proxy will be voted at the Meeting and, when instructions have been given by the stockholder, will be voted in accordance with those instructions. If no instructions are given, the stockholder s shares will be voted as recommended by the Board of Directors. A Proxy may be revoked at any time by a stockholder before it is exercised by one of two methods. The stockholder may give written notice to the Secretary of the Company by signing and delivering a Proxy that is dated later. Or if the stockholder attends the Meeting in person, he may either give notice of revocation to the inspectors of election at the Meeting or may vote at the Meeting.

QUORUM AND VOTING

Only stockholders of record at the close of business on April 12, 2004 will be entitled to vote at the Meeting. On that date, there were issued and outstanding 12,964,142 shares of the Company s $0.015 par value common stock (Common Stock), entitled to one vote per share. In the election of directors, cumulative voting is not allowed. There are no outstanding shares of preferred stock.

The only matters that management intends to present at the Meeting are: (a) the election of two directors as Class I directors for the term expiring in 2007; (b) approval of an amendment to the Company s Non-Employee Directors Stock Option Plan to increase the number of shares available for issuance under the plan; and (c) the ratification of the selection of Deloitte & Touche LLP to serve as independent auditors of Prima for fiscal 2004. If any other matter or business is properly presented at the Meeting, the proxy holders will vote upon it in accordance with their best judgment.

A majority of the outstanding Common Stock present in person or by Proxy and entitled to vote, will constitute a quorum for the transaction of business at the Meeting. Under Delaware law and the Company s Certificate of

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Incorporation, if a quorum is present at the Meeting, the two nominees for election as Class I directors who receive the greatest number of votes cast at the Meeting by the shares present in person or by Proxy and entitled to vote shall be elected as the Class I directors. The affirmative vote by the holders of a majority of the shares of Common Stock present in person or by Proxy at the Meeting and entitled to vote is required to approve the amendment to the Non-Employee Directors Stock Option Plan and to ratify the selection of Deloitte & Touche LLP as the Company s independent auditors for fiscal 2004. In the election of the Class I directors, any action other than a vote for a nominee will have the practical effect of voting against the nominee. Abstention from voting on Proposal 2 or Proposal 3 on the Proxy Card or on any other matter presented at the Meeting will have the practical effect of voting against any such matter since it is one less vote for approval. Broker nonvotes on any such matter will not be considered shares present for voting purposes. At the 2002 and 2003 Annual Meeting of Stockholders, approximately 87% and 88% respectively of the then-outstanding shares of the Company s Common Stock were present in person or by Proxy.

Beneficial Ownership of Prima s Common Stock

The following table sets forth, as of March 19, 2004, the beneficial ownership of Prima s Common Stock (i) by each person or group of persons known by the Company to beneficially own more than 5% of the outstanding Common Stock, (ii) the nominees as Class I director and each of the directors of Prima, (iii) the executive officers named in the Summary Compensation Table set forth under the caption Executive Compensation below, and (iv) the nominees and all directors and executive officers as a group.

Name of Beneficial Owner	Amount and Nature Of Beneficial Ownership (1)(2)	Percent of Class
Richard H. Lewis 1099 18th Street, Suite 400, Denver, CO 80202	1,857,291 (3)	13.8
Robert G. James 80 Ludlow Drive, Chappaqua, NY 10514	1,399,076 (4)	10.8
Artisan Partners Limited Partnership 875 E. Wisconsin Ave., Suite 800, Milwaukee, WI 53202	866,707 (5)	6.7
Advisory Research. Inc. 180 N. Stetson Street, Suite 5780, Chicago, IL 60601	739,260 (6)	5.7
James R. Cummings	19,275 (7)	*
Douglas J. Guion	10,537 (8)	*
Catherine J. Paglia	29,245 (9)	*
George L. Seward	340,483 (10)	2.6
Neil L. Stenbuck	58,164 (11)	*
Michael R. Kennedy	17,337 (12)	*
Michael J. McGuire	11,191 (13)	*
John H. Carpenter	10,797 (14)	*
All executive officers and directors as a group (11 persons including those named above)	2,384,320 (15)	17.5

* Indicates less than 1%.

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(1) Except as stated in the following notes, each person has sole voting and investment powers associated with shares stated as beneficially owned by him.

(2) Beneficial ownership includes shares over which the indicated beneficial owner exercises voting and/or investment power. Shares of Common Stock subject to options currently exercisable or exercisable within 60 days are deemed outstanding for computing the percentage ownership of the person holding the options but not deemed outstanding for computing the percentage ownership of any other person.

(3) Includes 465,250 shares purchasable under stock options granted pursuant to Prima Energy Corporation Stock Incentive Plans (the Employee Plans), 23,296 shares allocated to Mr. Lewis account in the Employee Stock Ownership Trust (ESOT) as a participant in the Employee Stock Ownership Plan (ESOP), 12,700 shares owned by a family foundation, 180,565 shares owned by a family limited partnership and 117,692 shares owned by the wife and children of Mr. Lewis. Mr. Lewis disclaims beneficial interest of the shares owned by his wife and children and the family foundation.

(4) The number of shares and nature of beneficial ownership is based on information contained in Schedule 13D and Form 4 filed with the Securities and Exchange Commission. Includes 59,608 shares held by a family foundation. Mr. James disclaims beneficial interest of the shares held in the foundation.

(5) The number of shares and nature of beneficial ownership is based on information contained in Schedule 13G/A filed with the Securities and Exchange Commission.

(6) The number of shares and nature of beneficial ownership is based on information contained in Schedule 13G filed with the Securities and Exchange Commission.

(7) Includes 16,875 shares purchasable under stock options granted pursuant to the Prima Energy Corporation Non-Employee Directors Stock Option Plan (the Directors Plan) and 400 shares owned by the daughter of Mr. Cummings. Mr. Cummings disclaims beneficial ownership of the shares owned by his daughter.

(8) Includes 4,500 shares purchasable under stock options granted pursuant to the Directors Plan.

(9) Includes 24,750 shares purchasable under stock options granted pursuant to the Directors Plan.

(10) Includes 33,750 shares purchasable under stock options granted pursuant to the Directors Plan and 540 shares owned by the wife of Mr. Seward. Mr. Seward disclaims beneficial ownership of the shares owned by his wife.

(11) Consists of 57,200 shares purchasable under stock options granted pursuant to the Employee Plans, and 964 shares allocated to Mr. Stenbuck s account in the ESOT as a participant in the ESOP.

(12) Includes 13,600 shares purchasable under stock options granted pursuant to the Employee Plans, and 2,512 shares allocated to Mr. Kennedy s account in the ESOT as a participant in the ESOP.

(13) Consists of 8,400 shares purchasable under stock options granted pursuant to the Employee Plans, and 2,791 shares allocated to Mr. McGuire s account in the ESOT as a participant in the ESOP.

(14) Consists of 2,900 shares purchasable under stock options granted pursuant to the Employee Plans, and 7,897 shares allocated to Mr. Carpenter s account in the ESOT as a participant in the ESOP.

(15) Includes 557,850 shares purchasable under stock options granted pursuant to the Employee Plans, 79,875 shares purchasable under stock options granted pursuant to the Directors Plan and 56,960 shares allocated to the ESOT accounts of individuals who are employee directors or officers of Prima.

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ELECTION OF CLASS I DIRECTORS
(Proposal 1 on Proxy Card)

The Company s Certificate of Incorporation and Bylaws provide that the number of members of the Board of Directors shall be fixed by resolution of the Board. The size of the Board is currently set at six. The Company s Certificate of Incorporation also provides for the classification of the Board of Directors into three classes, as nearly equal in number as possible. All such classes will serve for three years with one class being elected each year. Currently the number of directors in each of the three classes is two. The term of the Class I directors expires at this Meeting, the Class II directors at the 2005 Annual Meeting of Stockholders and the Class III directors at the 2006 Annual Meeting of Stockholders. The Board of Directors intends to submit two nominees (James R. Cummings and George L. Seward) at the Meeting as the Class I directors.

The Board of Directors recommends that the Board for the coming year consist of a total of six (6) members. Unless authority is withheld, it is intended that the shares represented by your Proxy will be voted for the election of the nominees (James R. Cummings and George L. Seward) as the Class I directors. If these nominees are unable to serve for any reason, your Proxy will be voted for such persons as shall be designated by the Board of Directors to replace such nominees. The Board of Directors has no reason to expect that the nominees will be unable to serve.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES FOR CLASS I DIRECTORS, JAMES R. CUMMINGS AND GEORGE L. SEWARD.

Certain information concerning such nominees, as well as the other current directors, is set forth below:

Name	Age	Positions with the Company	Period of Service as Director or Officer	Class of Director
Richard H. Lewis	54	Chairman of the Board, Chief Executive Officer, President	April 1980 to present	III (3)
Neil L Stenbuck	50	Executive Vice President, Chief Financial Officer and Director	May 2001 to present	II (2)
James R. Cummings	69	Director	August 2000 to present	I (1)
Douglas J. Guion	55	Director	October 1988 to present	II (2)
Catherine J. Paglia	51	Director	May 2000 to present	III (3)
George L. Seward	53	Director	April 1980 to present	I (1)

(1) Current term expires in 2004
(2) Current term expires in 2005
(3) Current term expires in 2006

The following includes additional information concerning the Company s directors, including their business experience:

Mr. Lewis founded Prima in April 1980 and has served as its Chairman of the Board and Chief Executive Officer since that time. Mr. Lewis is the immediate past president of the Colorado Oil & Gas Association, a non-profit trade organization, and continues as a board member. He serves on the Advisory Council to the Leeds School of Business at the University of Colorado, the Board of Trustees of the Metro Denver YMCA and the Board of Directors of Partnership for the West. Mr. Lewis served as the natural gas producer appointed representative on a select panel that studied and reported to the Colorado legislature on electric restructuring in Colorado. Mr. Lewis is the Chairman of

the Board of Entre Pure Industries, Inc., a privately held company

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involved in the purified water and ice business. In 2000, Mr. Lewis was inducted into the Ernst & Young Entrepreneur of the Year Hall of Fame. He graduated from the University of Colorado with a B.S. degree in Finance and Accounting.

Mr. Stenbuck has been a Director of Prima since May 2001 and has served as Executive Vice President and Chief Financial Officer of the Company since July 2001. He was previously with Basin Exploration, Inc., where he served as Vice President Finance, Chief Financial Officer, Treasurer and a director from 1995 to 2001. Prior to joining Basin, Mr. Stenbuck was with United Meridian Corporation where he served as Vice President Capital via the 1994 merger between UMC and General Atlantic Resources, Inc., where he held the same position beginning in 1989. He joined General Atlantic in 1987 as Vice President Finance and Accounting. Mr. Stenbuck is a Certified Public Accountant. He received a B.S.B.A. degree in Accounting and Finance from the University of Arizona.

Mr. Cummings has been a Director of Prima since August 2000. He served 20 years as a partner with Deloitte & Touche LLP (Deloitte). Mr. Cummings career with Deloitte included serving as Partner-in Charge of the Denver tax department, National Industry Director of the U.S. Energy Resources Group and Partner-in-Charge of the National Special Acquisitions Group. Mr. Cummings served many of Deloitte s national oil and gas and other energy clients on industry, regulatory and tax matters. He also served as engagement partner on several litigation and regulatory engagements. Mr. Cummings has been a frequent speaker and author and has testified before Congressional and Treasury Department hearings involving the oil and gas industry. He has been involved in many professional activities including serving on the Board of the Independent Petroleum Association of America, the Colorado Society of Certified Public Accountants, the Petroleum Accountants Society of Colorado and the Denver Petroleum Club.

Mr. Guion has been a Director of Prima since October 1988. In 1987, Mr. Guion founded Colorado Energy Minerals, Inc., a privately held oil and gas company owned by him and his family. He co-founded Golden Buckeye Petroleum Corporation in 1980 and served as its Chairman of the Board until that company merged with Prima in 1988. Prior to 1980, Mr. Guion spent 10 years as a co-owner and manager for various geological and geophysical consulting firms and in various other business enterprises, including home building and real estate. Mr. Guion holds a B.S. degree in Geophysical Engineering from the Colorado School of Mines. He is a Registered Professional Engineer, Registered Geophysicist and Certified Petroleum Geologist.

Ms. Paglia has been a Director of Prima since May 2000. She has been a member of the Board of Directors of Enterprise Asset Management, Inc. since December 1997, and since June 1999 has been working full time managing and overseeing investment opportunities for the privately held investment firm. She has been a director of Strategic Distribution, Inc., a publicly held industrial distribution business, since 1990, and served in various management capacities at the company from January 1989 to April 1997. Ms. Paglia served as Executive Vice President and Chief Financial Officer of Fine Host Corporation, a publicly held contract food service company, from April 1997 to September 1998. Fine Host Corporation filed a Chapter 11 petition for reorganization under federal bankruptcy laws in January 1999. From January 1989 to April 1997, Ms. Paglia served as a Managing Director of Interlaken Capital, Inc., a private investment firm, where she managed investment opportunities. From 1982 through 1988, she was employed by Morgan Stanley & Co. Incorporated, serving as a Managing Director in the corporate finance area during the last two years of her tenure. She has a B.A. from Carleton College in Northfield, MN and an M.B.A. from Harvard University.

Mr. Seward has been a Director of Prima since April 1980. He served as Corporate Secretary from 1980 until 1988. He has been engaged in the farming and ranching business since his graduation from Colorado State University with a B.A. degree in 1972. Since 1975, Mr. Seward has operated Seward Land and Cattle Company, a privately held company, as its majority stockholder and President.

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Other Executive Officers

The following paragraphs set forth certain information concerning executive officers that are not also directors of the Company:

Michael R. Kennedy, age 43, joined Prima as Executive Vice President for Corporate Development in July 1998. In May 2001, he became Prima s Executive Vice President of Engineering and Operations. Prior to joining Prima, Mr. Kennedy was employed by Ensign Oil & Gas, Inc. from January 1995 to July 1998 in various capacities, including Vice President Asset Development and Corporate Planning. His experience includes serving as General Manager for Martin Exploration, as well as investment banking with San Diego Securities and various engineering capacities with Sun Exploration & Production Company. Mr. Kennedy received a B.S. degree in Petroleum Engineering from Colorado School of Mines, an M.S. degree in Petroleum Engineering from USC, an MBA from Pepperdine University and completed doctoral studies (All But Dissertation) in Applied Mineral Economics from Colorado School of Mines. He is a former member of the Board of Directors of the Colorado Oil & Gas Association and a current member of the Board of Directors of the Independent Petroleum Association of Mountain States and the Denver Petroleum Club.

Michael J. McGuire, 53, was named Executive Vice President of Exploration in July 1998. He was with Cities Service Oil Company, Exploration and Production Research, from 1973 to 1978 where he worked on exploration projects worldwide. In 1978, he joined Amoco Production Company, where he managed exploration and development projects throughout the Rocky Mountain states and in Africa. From 1986 to 1998 he operated McGuire Geological Consulting, LLC. Mr. McGuire received a B.S. degree in Geology from the University of Nebraska and an M.S. degree in Geology from Oklahoma State University. He has been involved in many professional industry organizations. Mr. McGuire has served as an Associate Editor of the American Association of Petroleum Geologists. He has also served on the Board of Directors for the Potential Gas Committee and has served as Chairman of the Coalbed Methane Committee and Vice President of the Western Region. He is a Certified Petroleum Geologist. Mr. McGuire is currently a member of the Board of Directors for White Crown Federal Credit Union, Denver.

John H. Carpenter, 48, joined Prima as Vice President of Marketing in April 1994. Mr. Carpenter has over 20 years experience in the oil and gas industry, primarily in the marketing, sales and trading of natural gas. Prior to joining Prima, Mr. Carpenter was a vice president with Barrett Fuels Corporation, a natural gas trading subsidiary of Barrett Resources Corporation, for four years. He also assisted in the initiation of natural gas trading activities for Public Service Company of Colorado in its wholly owned subsidiary, Fuel Resources Development Co., where he worked for eight years and was its manager of marketing. He received his B.A. degree in Journalism and Master of Science in Administration degree, both from the University of Denver.

Edward L. McLaughlin, 48, joined Prima as Vice-President of Land in September 2003. Mr. McLaughlin has 23 years of experience in the oil and gas industry. Prior to joining Prima, Mr. McLaughlin served as Vice-President of Land and Business Development for Ensign Oil & Gas, Inc., Director of Business Development for EnCana Oil & Gas (USA) Inc. and Vice-President of Land for Ocean Energy, Inc. Mr. McLaughlin received a B.S. in Business from the University of Denver and an MBA from the University of Colorado. Mr. McLaughlin is a Certified Professional Landman and an active member of the American Association of Professional Landmen, where he chaired its 2003 National Convention. He is also a member of the Denver Association of Professional Landmen and was President from 1999-2000. Mr. McLaughlin currently serves on the Board of Directors of the Southwest Denver YMCA.

Sandra J. Irlando, 52, joined Prima in 1988 as its Controller. She became Prima s Vice President of Accounting in June of 1993 and Corporate Secretary in June of 1994. She joined Golden Buckeye Petroleum Corporation in 1985 as Tax Manager and served as that company s Controller from 1987 until the merger with Prima in 1988. Prior to joining Golden Buckeye, Ms. Irlando worked as a certified public accountant. She received a B.S.B.A. degree in Accounting from the University of Denver.

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All officers of the Company are employed on a full time basis. There are no other arrangements or understandings between any of the directors or officers and any other person pursuant to which he or she was or is to be selected as a director, nominee or officer.

No family relationship exists between the nominees for Class I director or any of the directors and executive officers of the Company. Ms. Paglia is the daughter of Mr. Robert James, who is a greater than 10% stockholder of Prima. Neither the nominees for Class I director nor any of the directors is a director of any company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 or subject to the requirements of Section 15(d) of that Act, with the exception of Ms. Paglia, who is a director of Strategic Distribution, Inc.

Prima has adopted a Code of Ethics for its senior financial officers. A copy of the Code of Ethics has been filed as Exhibit 14.1 to Prima s Annual Report on Form 10-K for the year ended December 31, 2003.

BOARD AND COMMITTEE MEETINGS

The Board of Directors held six formal meetings during the year ended December 31, 2003. The Board has a standing Audit Committee, Compensation Committee and Nominating Committee. All directors attended at least 75 percent of the aggregate of the total number of meetings of the Board of Directors and the meetings of the Committees of which each respective director is a member, for the period during which they were members. In addition to those meetings, certain business was conducted by unanimous written consent of the Board of Directors. The Company s officers have made a practice of keeping directors informed of corporate activities by personal meetings and telephone discussions and, as noted, directors ratify or authorize certain actions of the Company through unanimous written consents.

Audit Committee

The Audit Committee consists of Ms. Paglia, Mr. Cummings and Mr. Seward. All members of the Audit Committee are independent as defined by the rules of the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (Nasdaq). The Board of Directors has determined that Mr. Cummings qualifies as an Audit Committee Financial Expert, as the term is defined by the SEC. See the table under the section captioned Election of Class I Directors above for a biography of Mr. Cummings. In fiscal 2000, the Board of Directors adopted a written charter for the Audit Committee. The Board of Directors amended the Audit Committee charter in February 2004 and the amended Audit Committee charter is attached as Appendix A hereto.

The Audit Committee is responsible for overseeing Prima s financial reporting process on behalf of the Board. Management of Prima has the primary responsibility for Prima s financial reporting process, principles and internal controls as well as oversight of the preparation of its financial statements. The Audit Committee reviews accounting policies and reports, appoints Prima s independent public accountants and meets with such accountants to discuss audit results and issues related to audit services. The Company s independent auditors are responsible for performing an audit of the Company s consolidated financial statements and expressing an opinion as to the conformity of such financial statements with accounting principles generally accepted in the United States. During fiscal 2003 the Audit Committee held four meetings and met with the Company s independent auditors, Deloitte & Touche LLP, on two occasions outside the presence of the Company s management and staff to discuss the Company s accounting procedures and policies.

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Compensation Committee

The Compensation Committee of the Board of Directors consists of Mr. Cummings, Mr. Seward and Ms. Paglia. The Committee is responsible for establishing policies concerning compensation and employee benefits for all employees of the Company. The committee reviews and makes recommendations concerning the Company s compensation policies and the implementation of those policies and determines compensation and benefits for executive officers. During fiscal 2003, the Compensation Committee met formally five times.

Nominating Committee

The Nominating Committee was created in April, 2004. The Nominating Committee provides assistance to the Board of Directors in fulfilling its responsibility to the stockholders, potential stockholders and investment community by reviewing and making recommendations to the Board regarding the Board s composition and structure, establishing criteria for Board membership and evaluating corporate policies relating to the recruitment, selection, tenure and qualifications of Board members. The Nominating Committee acts pursuant to a written charter, a copy of which is attached to this Proxy Statement as Appendix B. The members of the Nominating Committee for fiscal year 2004 are Mr. Cummings and Ms. Paglia, each of whom is independent within the meaning of the rules of Nasdaq.

In identifying candidates for membership on the Board of Directors, the Nominating Committee takes into account all factors it considers appropriate, which may include ensuring that the Board of Directors, as a whole, consists of individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise, local and community ties and minimum individual qualifications, including strength of character, mature judgment, familiarity with the Company s business and industry, independence of thought and an ability to work collegially. The Nominating Committee also may consider the extent to which the candidate would fill a particular need of the Board.

The Nominating Committee reviews the qualifications of, among others, those persons recommended for nomination to the Board of Directors by stockholders. A stockholder suggesting a nominee to the Board should send the nominee s name, biographical material, beneficial ownership of the Company s stock and other relevant information in writing to the Secretary of the Company in a timely manner as set forth in the Company s Bylaws, accompanied by a consent of such nominee to serve as a director if elected.

Nominees must be willing to devote the time required to serve effectively as a director and as a member of one or more Board committees. In order to submit a nomination, a stockholder must be a holder of record on the date of such submission and on the record date for determining stockholders entitled to vote at the meeting at which the election will take place. The Nominating Committee met in April 2004 for the purpose of recommending to the Board the nomination of the nominees named in this Proxy Statement as Class I directors.

Director Compensation

Non-employee directors receive an annual retainer of $10,000, payable in quarterly installments. In addition, non-employee directors receive $1,000 per Board meeting attended. Non-employee directors who serve on the Audit Committee or the Compensation Committee receive an annual retainer of $2,500 per committee, payable in quarterly installments. Directors and members of committees of the Board of Directors who are employees of the Company or its affiliates are not compensated for their Board activities. Directors are reimbursed for travel expenses incurred for attending Board and committee meetings.

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The Company has a Non-Employee Directors Stock Option Plan. The Plan provides for each non-employee director to receive options to purchase 22,500 shares of Prima Common Stock on the effective date of the Plan, or if later, upon election or appointment to the Board of Directors. On each subsequent anniversary date, each non-employee director receives additional stock options to purchase 5,625 shares of Common Stock. The exercise price is the fair market value on the date of grant. The options expire in ten years if not exercised, and vest 20% per year over five years. For additional information concerning the Plan and a proposal to increase the number of shares available for issuance under the Plan, see Proposal No. 2, below.

PROPOSAL TO AMEND THE NON-EMPLOYEE DIRECTORS STOCK OPTION PLAN
(Proposal 2 on Proxy Card)

At the Meeting, the stockholders of Prima will be asked to vote on a proposal to approve an amendment to the Prima Energy Corporation Non-Employee Directors Stock Option Plan (referred to herein as the Plan) to increase the number of shares of common stock authorized for issuance under the Plan. The approval of the amendment requires the affirmative vote of the holders of a majority of the shares of Prima s common stock that are present in person or by proxy and entitled to vote at the Meeting. The amendment to the Plan increases the aggregate number of shares of Common Stock available for issuance under the Plan from 225,000 to 400,000.

The Plan was initially approved by the stockholders of Prima in May 1999, effective in September 1998.

Reasons for the Amendment to the Plan

The purpose of the Plan is to attract, retain and provide incentives for high level performance by non-employee directors of the Company. At March 31, 2004 only 30,375 shares of common stock remained available for grant under the Plan. The Board believes that the Plan should be amended to increase the number of shares issuable under the Plan in order to continue to meet the objectives of attracting and retaining highly-qualified non-employee directors and providing appropriate compensation and incentives.

Material Features of the Plan

The material features of the Plan are as follows:

Each non-employee director receives options under the Plan to purchase 22,500 shares of Prima s common stock. In addition, each non-employee director is granted a stock option to purchase 5,625 shares on the anniversary date of the effective date of the Plan, or, if later, the anniversary date of the election of the director to the Board. The options vest over a five-year period in equal installments, beginning on the first anniversary date and ending on the fifth anniversary of the date of grant.

The exercise price of the options is the fair market value of Prima s common stock on the date of grant.

All options granted under the Plan expire, to the extent not exercised, ten years after the date of grant.

All options become exercisable in full upon a change of control of Prima, as defined in the Plan.

Federal Income Tax Consequences

Neither Prima nor the optionee will recognize taxable income or deductions for Federal income tax purposes upon the award of a stock option. The exercise of an option results in immediately taxable income to the optionee under the Internal Revenue Code of 1986, as amended, in an amount equal to the difference between the option price and the

market price on the date of exercise. This same amount is deductible by Prima as compensation expense.

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Additional Information Regarding the Plan

On March 31, 2004, the closing price of Prima s common stock on the Nasdaq National Market was $34.54 per share. Except for the receipt of the option exercise price when and if options are exercised, Prima receives no consideration in connection with the options under the Plan.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDMENT TO THE PLAN.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth annual and long-term compensation received or accrued during each of the Company s last three fiscal years by the Chief Executive Officer of the Company and by the four other highest compensated executive officers of the Company (referred to as the named executive officers) during 2003.

Name and Principal Position	Year	Annual Compensation		Long-term Compensation	All Other Compensation
		Salary	Bonus	Options (#)	(2)
Richard H. Lewis	2003	$400,000	$ 0	22,500	$10,000
President and Chief	2002	400,000	50,000	25,000	8,500
Executive Officer	2001	400,000	100,000	100,000	8,500
Neil L. Stenbuck (1)	2003	$250,000	$ 50,000	18,000	$10,000
Executive Vice President &	2002	250,000	25,000	15,000	$ 8,500
Chief Financial Officer	2001	125,000	25,000	50,000	none
Michael R. Kennedy	2003	$179,667	$ 50,000	12,000	$10,000
Executive Vice President,	2002	152,333	25,000	7,000	7,600
Engineering and Operations	2001	140,000	12,000	10,000	8,500
Michael J. McGuire	2003	$177,000	$ 25,000	6,000	$ 8,850
Executive Vice President	2002	177,000	0	5,000	8,500
of Exploration	2001	177,000	6,000	10,000	8,500
John H. Carpenter	2003	$ 98,533	$ 10,000	4,500	$ 5,274
Vice President of Marketing	2002	97,800	7,500	2,000	5,140
	2001	97,800	5,000	3,000	5,265

(1) Mr. Stenbuck became an officer and employee of Prima July 2001.

(2) Amounts consist of allocations during each of the years under Prima s Employee Stock Ownership Plan (ESOP). The ESOP is qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, and is for the benefit of all eligible employees of the Company. Company contributions are payable at a minimum rate of 5% of eligible salaries (consisting of salary, bonus, and, in the case of certain non-officer employees, overtime) during the ESOP s fiscal year ending September 30, and are generally made quarterly. Plan participants become fully vested in the ESOP after six years of service to the Company. Mr. Lewis and Mr. Carpenter are both fully vested in the ESOP. Mr. Kennedy and Mr. McGuire were both 80% vested and Mr. Stenbuck was 20% vested as of September 30, 2003.

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Option Grants In 2003

The table below shows information regarding the grant of non-qualified stock options made to the named executive officers under the Prima Energy Corporation 2001 Stock Incentive Plan (Stock Incentive Plan). The amounts shown for the named executive officers as potential realizable values are based on arbitrarily assumed annualized rates of stock price appreciation of 5% and 10% over the full ten-year term of the options. No gain to the optionee is possible without an increase in stock price above the price on the option grant date, which will benefit all stockholders proportionately. The 5% and 10% assumed rates of appreciation are derived from the rules of the SEC and do not represent the Company s estimate or projection of the future Common Stock price. There can be no assurance that the potential realizable values shown on this table will be achieved.

	Individual Grants					
					Potential Realizable Values at Assumed Annual Rates of Stock Price Appreciation For Option Term	
Name	Options Granted #	Percent of Total Options Granted to Employees In 2003	Exercise Price Per Share	Expiration Date	5%	10%
Richard H. Lewis	7,500	5.80%	$20.19	5/12/2013	$ 95,230	$241,332
Richard H. Lewis	7,500	5.80	23.04	8/11/2013	108,673	275,399
Richard H. Lewis	7,500	5.80	27.29	11/5/2013	128,719	326,199
Neil L. Stenbuck	6,000	4.64	20.19	5/12/2013	76,184	193,066
Neil L. Stenbuck	6,000	4.64	23.04	8/11/2013	86,938	220,319
Neil L. Stenbuck	6,000	4.64	27.29	11/5/2013	102,975	260,959
Michael R. Kennedy	4,000	3.09	20.19	5/12/2013	50,790	128,711
Michael R. Kennedy	4,000	3.09	23.04	8/11/2013	57,959	146,879
Michael R. Kennedy	4,000	3.09	27.29	11/5/2013	68,650	173,973
Michael J. McGuire	2,000	1.55	20.19	5/12/2013	25,395	64,355
Michael J. McGuire	2,000	1.55	23.04	8/11/2013	28,979	73,440
Michael J. McGuire	2,000	1.55	27.29	11/5/2013	34,325	86,986
John H. Carpenter	1,500	1.16	20.19	5/12/2013	19,046	48,266
John H. Carpenter	1,500	1.16	23.04	8/11/2013	21,735	55,080
John H. Carpenter	1,500	1.16	27.29	11/5/2013	25,744	65,240

The options were granted at an exercise price equal to the closing price of the Common Stock on the date of grant and vest at a rate of 20% per year. Upon a Change of Control of the Company, as defined in the Stock Incentive Plan, all options granted under the plan would become exercisable in full. Options granted are non-transferable except by will or the laws of descent and distribution, may be exercised during the grantee s lifetime only by the grantee and must be exercised no later than ten years from the date of grant. The options expire if not exercised, in most cases, within twelve months of the grantee s death or total and permanent disability, on the effective date of termination of employment or, with the discretion of the Compensation Committee, within three months after normal or early retirement, and are subject to certain other conditions.

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Aggregated Option Exercises and Fiscal Year-End Option Value Table

The following table sets forth information concerning each exercise of stock options during the year ended December 31, 2003 by the Company s Chief Executive Officer and the named executive officers and the fiscal year-end value of unexercised options held by each of them.

Name	Shares Acquired on Exercise (#)	Value Realized ($)(1)	Number of Unexercised Options at Year End (#)		Value of Unexercised In-The-Money Options at Year End ($)(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Richard H. Lewis	155,000	$3,176,375	438,750	102,500	$11,719,613	$552,400
Neil L. Stenbuck	0	0	36,333	46,667	189,340	396,620
Michael R. Kennedy	35,375	737,776	9,400	23,600	126,332	200,468
Michael J. McGuire	15,750	226,564	5,000	16,000	16,420	116,500
John H. Carpenter	3,000	55,740	1,600	7,900	5,804	69,926

(1) Value realized equals the fair market value of the Common Stock on the date exercised less the exercise price, times the number of shares exercised. Fair market value is determined by the average of the high and low sales price for the date exercised.

(2) For all unexercised options held as of December 31, 2003, the aggregate dollar value of the excess of the market value of the stock underlying the options over the exercise price of those options. On December 31, 2003, the closing sale price of the Common Stock was $35.16 per share.

Equity Compensation Plans

The Company has three equity compensation plans, each of which was adopted with the approval of security holders. The following table provides certain information concerning Prima common stock authorized for issuance under the Company s three employee or director equity compensation plans as of December 31, 2003:

(a) Number of Securities to be Issued Upon Exercise of Outstanding Options	(b) Weighted-Average Exercise Price of Outstanding Options (1)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (2)(3)(4)
979,075	$ 17.51	1,070,125

(1) In dollars per share

(2) Excludes securities reflected in column (a)

(3) See Proposal to Amend the Non-Employee Directors Stock Option Plan for information concerning a proposal to increase the number of shares available for issuance under the Plan from 225,000 to 400,000.

(4) For additional information concerning the Company s equity compensation plans, see Note 9 of the Company s audited financial statements contained in its Annual Report on Form 10-K for the year ended December 31, 2003.

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PERFORMANCE GRAPH

The following graph shows the changes over the past five year period in the value of $100 invested in: (1) Prima Energy Corporation Common Stock; (2) the NASDAQ Market Index; and (3) a peer group consisting of all the publicly-held companies within SIC code 1311, Crude Petroleum and Natural Gas, consisting of approximately 135 companies. The year-end values of each investment are based on share price appreciation and assume that $100 was invested December 31, 1998 and that all dividends are reinvested. Calculations exclude trading commissions and taxes. The comparison of past performance in the graph is required by the SEC and is not intended to forecast or be indicative of possible future performance of the Company s Common Stock.

	As of December 31,					
	1998	**1999**	**2000**	**2001**	**2002**	**2003**
Prima Energy Corporation	$100.00	$189.65	$620.06	$385.32	$396.13	$622.90
Peer Group Index	100.00	122.15	155.17	142.38	151.79	243.79
NASDAQ Market Index	100.00	176.37	110.86	88.37	61.64	92.68

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Mr. Cummings, Mr. Seward and Ms. Paglia are the members of the Compensation Committee, with Mr. Seward serving as chairperson. Mr. Guion was the chairperson until his resignation from the committee in August 2003. None of the committee members were officers or employees of the Company during 2003. No executive officer of the Company serves or served on the compensation committee of another entity during 2003 and no executive officer of the Company serves or served as a director of another entity which has or had an executive officer serving on the Board of Directors of the Company.

COMPENSATION COMMITTEE REPORT

Under rules established by the SEC, the Company is required to provide certain information regarding the compensation of its Chief Executive Officer and other executive officers whose salary and bonus exceed $100,000 per year. Disclosure requirements include a report explaining the rationale and considerations that lead to fundamental executive compensation decisions. The following report has been prepared to fulfill this requirement.

The Compensation Committee (Committee) of the Board of Directors sets and administers the policies that govern the annual compensation and long-term compensation of executive officers of the Company. The Committee makes all decisions concerning compensation of executive officers that receive salary and bonus in excess of $100,000 annually, determine the total amount of bonuses to be paid annually and grant all awards of stock options under the Company s employee stock incentive plan. The Committee s policy is to offer executive officers competitive compensation packages that will permit the Company to attract and retain highly qualified individuals and to motivate and reward such individuals on the basis of the Company s performance.

At present, the executive compensation package consists of base salary, cash bonus awards and long-term incentive opportunities in the form of stock options and participation in an employee stock ownership plan (ESOP). Executive officers participate in the ESOP on the same basis as all Company employees. The Company does not provide any deferred compensation plan, nor does it provide a pension plan, 401(k) plan or other retirement benefits other than the ESOP.

Executive salaries are reviewed by the Committee on an annual basis and are set for individual executive officers based on subjective evaluations of each individual s performance, the Company s performance and a comparison to salary ranges for executives of other companies in the oil and gas industry with characteristics similar to those of the Company. This allows the Committee to set salaries in a manner that is both competitive and reasonable within the Company s industry.

Cash bonuses may be awarded on an annual basis based upon evaluations of effort and performance. The use of a specific formula to evaluate management performance is not employed because it is difficult to define an appropriate formula and it restricts the flexibility of the Committee. The Committee considers the achievements of the Company, specifically including, but not limited to, earnings for the year, return on stockholders equity and growth in proved oil and natural gas reserves, in determining appropriate levels for bonus awards. Following a review of the Company s performance after the close of the 2003 fiscal year, in March of 2004 the Committee determined that cash bonuses should be awarded, set a total dollar limit for the bonus pool and determined cash bonuses for the Company s Chief Executive Officer and the other named executive officers, based upon their respective contributions to the Company s performance during the year, as assessed by the Committee.

Stock options may be granted to key employees, including executive officers of the Company. Such stock based awards continue to be an important element of the executive compensation package because they aid in the objective

of aligning the key employees interests with those of the stockholders by giving key employees a

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direct stake in the performance of the Company. Decisions concerning the granting of stock options are made based upon the individual performance of the executive, his or her level of responsibility, base salary and the number of options already granted to the executive. Options for 130,750 shares were granted to all employees in 2003.

The compensation of Richard H. Lewis, Chief Executive Officer, consists of the same components as for other executive officers of the Company, and is largely dependent upon the overall performance of the Company and a comparison to compensation being paid by comparable peer companies to their chief executive officers. For the year ended December 31, 2003, the base salary of Mr. Lewis was $400,000, the same as in 2002. No cash bonus award was paid in March 2004, compared to $50,000 paid in March 2003. Mr. Lewis was granted options to acquire 22,500 shares of Common Stock during 2003 compared to options to acquire 25,000 shares in 2002. The amount of the bonus awarded for 2003 and options granted in 2003 took into account a number of considerations concerning the Company s performance.

Compensation Committee of the Board of Directors
George L. Seward, Chairperson
James R. Cummings
Catherine J. Paglia

AUDIT COMMITTEE REPORT

The Audit Committee is comprised of three non-employee directors. The Board of Directors has made a determination that the members of the Audit Committee satisfy the requirements of the Nasdaq National Market as to independence, financial literacy and experience. The Audit Committee operates under a written charter approved by the full Board. The Audit Committee is responsible for providing independent, objective oversight of the Company s accounting functions and internal controls.

Review of Audited Financial Statements with Management. The Audit Committee has reviewed and discussed the audited financial statements with the management of the Company.

Review of Financial Statements and Other Matters with Independent Accountants. The Audit Committee discussed with the independent auditors the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU Section 380). The Audit Committee has received and reviewed the written disclosures and the letter from Deloitte & Touche LLP (Dt: 0.5in">Yes. Any cash dividends declared on shares of Common Stock held in your Plan account are automatically reinvested in additional shares of Common Stock and credited to your Plan account, including any shares you purchase with optional cash payments.

REPORTS TO PARTICIPANTS

20. *What reports will be sent to participants in the Plan?*

Following each purchase of shares of Common Stock for your account, the Agent will mail to you a statement of account showing amounts invested, the purchase price (see Question 16), the number of shares purchased, and other information for the year to date. Each participant will receive a Form 1099 showing income reportable for Federal income tax purposes following the final purchase in each calendar year (see Question 30). These statements are your record of the cost of your purchases and should be retained for income tax and other purposes. In addition, during the year you will receive copies of the same communications sent to all other holders of shares of Common Stock.

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CERTIFICATES FOR SHARES

21. *Will I receive certificates for shares of Common Stock purchased under the Plan?*

Shares of Common Stock purchased by the Agent for your account will be registered in the name in which your plan account is maintained, in book-entry form on the Agent's records, and certificates for such shares will not be issued to you until requested. The total number of shares credited to your account will be shown on each statement of account. This custodial service helps to protect you against the risk of loss, theft or destruction of stock certificates.

Certificates for any number of whole shares credited to your account will be issued to you at any time upon written request to the Agent. Cash dividends with respect to shares you own of record outside your Plan account will continue to be automatically reinvested in accordance with your election. Any remaining shares credited to your account will continue to be registered in the name in which your plan account is maintained in book-entry form on the Agent's records.

If the written request to the Agent is for certificates to be issued for all shares of Common Stock credited to your account, you will receive a cash payment in lieu of any partial share. The amount of such a cash payment will be based upon the then current market price of the Common Stock, less any commissions and any other costs of sale. You can also request full shares to be issued *via* the Internet or the Interactive Voice Response System.

Certificates for fractional shares will not be issued under any circumstances.

22. *In whose name will certificates be registered and issued?*

Upon your request, certificates for shares of Common Stock will be issued and registered in the name in which your Plan account is maintained. For holders of record, this generally will be the name or names in which your shares are registered at the time you enroll in the Plan. Upon written request, shares will be registered in any other name, upon the presentation to the Agent of evidence of compliance with all applicable transfer requirements.

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TRANSFER AND PLEDGE OF SHARES

23. *Can I transfer shares that I hold in the Plan to someone else?*

Yes. You may transfer ownership of some or all of your shares held through the Plan. You may call the Agent at (888) 556-0426 for complete transfer instructions or go to *www.AmStock.com* to download the appropriate materials. You will be asked to send the Agent written transfer instructions and your signature must be "Medallion Guaranteed" by a financial institution. Most banks and brokers participate in the Medallion Guarantee Program. The Medallion Guarantee Program ensures that the individual signing is in fact the owner of the shares to be transferred. A notary is not sufficient.

24. *May shares of Common Stock in my Plan account be pledged?*

No. You must first remove your shares from the Plan and request that certificates for shares credited to your Plan account be issued to you (see Question 21) before you can pledge such shares.

WITHDRAWAL FROM THE PLAN

25. *When may I withdraw from the Plan?*

You may withdraw from the Plan at any time. If your request to withdraw is received by the Agent more than three business days prior to a Dividend Payment Date your account will be terminated and all dividends paid after receipt of your request to withdraw will be paid in cash. However, if your request to withdraw from the Plan is received less than three days prior to the Dividend Payment Date then that dividend will be reinvested, but, all subsequent dividends will be paid in cash.

After your request for withdrawal has become effective, all dividends will be paid in cash to you unless and until you re-enroll in the Plan, which you may do at any time.

26. *How do I withdraw from the Plan?*

In order to withdraw from the Plan, please complete the tear-off portion of any Plan statement of account and send it to American Stock Transfer & Trust Company, LLC P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or access your account on-line at *www.AmStock.com*, or call the toll free number at 1-888-556-0426. When you withdraw from the Plan, or upon termination of the Plan by MREIC, certificates for shares credited to your account under the Plan will be issued to you upon your request. You will receive a cash payment in lieu of any partial share. The amount of such a cash payment will be based upon the then current market price of the Common Stock, less any commissions and any other costs of sale.

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OTHER INFORMATION

27. *What happens if I sell or transfer shares of Common Stock registered in my name?*

If you dispose of all shares of Common Stock registered in your name, the dividends on the shares credited to your Plan account will continue to be reinvested in accordance with your election until you notify the Agent that you wish to withdraw from the Plan.

28. *What happens if MREIC issues a stock dividend, declares a stock split or has a rights offering?*

Any stock dividends or split shares distributed by MREIC on shares of Common Stock credited to your Plan account will be added to your account. Stock dividends or split shares distributed on shares of Common Stock for which you hold certificates will be mailed directly to you in the same manner as to stockholders who are not participating in the Plan.

In a regular rights offering, as a holder of record, you will receive rights based upon the total number of shares of Common Stock owned; that is, the total number of shares for which you hold certificates and the total number of shares held in your Plan account.

MREIC reserves the right to either curtail or suspend transaction processing until the completion of any stock dividend, stock split or corporate action.

29. *Can I vote shares in my Plan account at meetings of stockholders?*

Yes. You will receive a proxy for the total number of shares of Common Stock you hold of record, including those credited to your Plan account. The total number of shares of Common Stock held of record may also be voted in person at a meeting.

If the proxy is not returned or if it is returned unsigned, none of the shares of Common Stock you hold in record name, including those credited to your Plan account, will be voted unless you vote in person.

30. *What are the Federal income tax consequences of participation in the Plan?*

Under Internal Revenue Service rulings in connection with similar plans, dividends reinvested will be treated as taxable notwithstanding that the dividends are reinvested in stock. The 5% discount in addition, may also be taxable. Stockholders should consult their own tax consultant on the proper tax treatment of the 5% discount.

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Distributions of REITs are treated as dividends to the extent a REIT has earnings and profits for Federal income tax purposes. In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding requirements have been met and the REIT's dividends are attributable to dividends received from taxable corporations (such as its taxable REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if a REIT distributed taxable income that it retained and paid tax on in the prior taxable year) or to dividends properly designated by the REIT as "capital gain dividends." To the extent that the amount so distributed by MREIC exceeds the current and accumulated earnings and profits of MREIC, such excess would be treated for Federal income tax purposes as a return of capital to the stockholder to the extent of such stockholder's basis and then as capital gain. Each participant will receive a Form 1099 showing total dividend income, the amount of any nondividend distributions, and the amount of any capital gain dividend for the year.

The holding period of shares of Common Stock acquired under the Plan, whether purchased with dividends or optional cash payments, will begin on the day following the date on which the shares were purchased for your account.

As a participant in the Plan you will not realize any taxable income when you receive certificates for whole shares credited to your account, either upon your request for such certificates or upon withdrawal from or termination of the Plan. However, you will recognize gain or loss (which, for most participants, will be capital gain or loss) when whole shares acquired under the Plan are sold or exchanged after your withdrawal from or the termination of the Plan. If such gain or loss is capital, it will be long-term capital gain or loss if the shares sold are held for more than one year and will be short-term capital gain or loss if the shares sold are held for one year or less.

31. *What is the responsibility of MREIC and the Agent under the Plan?*

Neither MREIC nor the Agent nor its nominees, in administering the Plan, will accept liability for any act done in good faith or for any good faith omission to act, including, without limitation, any claim of liability arising out of failure to terminate a participant's account upon such participant's death prior to receipt of notice in writing of such death.

Neither MREIC nor the Agent can assure you of a profit or protect you against a loss on shares purchased under the Plan.

32. *How are income tax withholding provisions applied to participants?*

In the case of foreign participants who elect to have their dividends reinvested or who elect to make optional cash payments and whose dividends are subject to United States income tax withholding, an amount equal to the dividends payable to such participants who elect to reinvest dividends, or the amount of the optional cash payment made by a participant, less the

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amount of tax required to be withheld, will be applied by the Agent to the purchase of shares of Common Stock. A Form 1042S, mailed to each foreign participant after the final purchase of the calendar year, will show the amount of tax withheld in that year. A Form 1099 will be mailed to domestic participants in the event that Federal income tax withholding is imposed in the future on dividends to domestic participants.

33. *May the Plan be changed or discontinued?*

MREIC reserves the right to modify, suspend or terminate the Plan at any time. All participants will receive notice of any such action. Any such modification, suspension or termination will not, of course, affect previously executed transactions. MREIC also reserves the right to adopt, and from time to time change, such administrative rules and regulations (not inconsistent in substance with the basic provisions of the Plan then in effect) as it deems desirable or appropriate for the administration of the Plan. The Agent reserves the right to resign at any time upon reasonable written notice to MREIC.

The purpose of the Plan is to provide stockholders with a systematic and convenient method of investing dividends and optional cash payments for long-term investment. Use of the Plan for any other purpose is prohibited.

MREIC reserves the right to return optional cash payments to subscribing stockholders if, in MREIC's opinion, the investment is not consistent with the purposes of the Plan. Stockholders who establish multiple accounts to circumvent the $1,000 per month limit on optional cash investments are subject to MREIC's right to return all optional cash payments.

MREIC would consider lowering or eliminating the discount without prior notice to participants if for any reason MREIC believed that participants were engaging in positioning and other transactions with the intent to purchase shares of Common Stock under the Plan and then immediately resell such shares of Common Stock in order to monetize the discount. Any participant who engages in such transactions may be deemed to be an underwriter within the meaning of Section 2(11) of the Securities Act.

SPECIAL RULES TO PROTECT MREIC'S STATUS AS A QUALIFIED REAL ESTATE INVESTMENT TRUST ("REIT") UNDER THE PROVISIONS OF THE INTERNAL REVENUE CODE

MREIC reserves the right not to issue shares under the Plan to any stockholder holding more than 3% of MREIC's Common Stock. These stockholders may use the Plan both for dividend reinvestment and for optional cash payments but no shares will be issued to any stockholder if the issuance could provide for the disqualification of MREIC as a REIT under the provisions of the Internal Revenue Code. The decision of MREIC in this regard is final and the particular stockholders' only right shall be the return of any optional cash payment and the return of dividends in cash.

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MREIC also reserves the right to return optional cash payments to subscribing stockholders if, in MREIC's opinion, the investment is not consistent with the purposes of the Plan. This provision would cover stockholders who sell short shares on the NYSE and use the optional cash payment solely for purposes of attempting to earn the 5% differential. This provision can also be invoked to prevent any stockholder from creating multiple optional cash payment accounts. The purpose of the Plan is to provide stockholders with a systematic and convenient method of investing dividends and optional cash payments for long-term investment. Use of the Plan for any other purpose is prohibited.

USE OF PROCEEDS

MREIC has no basis for estimating precisely either the number of shares of Common Stock that ultimately may be sold pursuant to the Plan or the prices at which such shares will be sold. However, MREIC proposes to use the net proceeds from the sale of shares of Common Stock pursuant to the Plan, when and as received, to purchase additional properties in the ordinary course of business and for general corporate purposes, including the possible repayment of indebtedness. MREIC cannot predict with certainty how much of the proceeds from the sale of Common Stock pursuant to the Plan will be used for any of the above purposes. Until we use the net proceeds from the sale of shares of Common Stock pursuant to the Plan, they may be deposited in interest bearing cash accounts or invested in marketable securities, including securities that may not be investment grade. MREIC considers the Plan to be a cost-effective means of expanding its equity capital base and furthering its investment objectives while at the same time benefiting holders of shares of Common Stock.

PLAN OF DISTRIBUTION

We will sell our Common Stock acquired under the Plan directly to the participants. The shares acquired pursuant to the Plan may be resold in market transactions on any national securities exchange on which our common stock trades or in privately negotiated transactions. Our Common Stock is currently listed on the NYSE.

We may sell our Common Stock through the Plan to persons who, in connection with the resale of the shares, may be considered underwriters. In connection with these types of transactions, compliance with Regulation M under the Exchange Act would be required. We will not give any person any rights or privileges other than those that the person would be entitled to as a participant under the Plan. We will not enter into any agreement with any person regarding the person's purchase, resale or distribution of shares.

Subject to the availability of our Common Stock registered for issuance under the Plan, there is no total maximum number of shares that can be issued pursuant to the Plan. A participant is not required to pay any transaction fees, service fees, trading fees or other charges in connection with the purchase of Common Stock for his or her plan account under the Plan. The participant will only have to pay fees in connection with his or her voluntary sale of shares from his or her plan account.

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INDEMNIFICATION

The Maryland General Corporation Law (the "MGCL"), permits a Maryland corporation to include in its charter a provision eliminating the liability of its directors and officers to the corporation and its stockholders for money damages, other than for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services or (ii) active and deliberate dishonesty that was established by a final judgment and was material to the cause of action. The Company's charter contains a provision that eliminates the liability of our directors and officers to the maximum extent permitted by Maryland law.

The MGCL requires a Maryland corporation (unless its charter provides otherwise, which MREIC's charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) the director or officer actually received an improper personal benefit in money, property or services or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. Under the MGCL, a Maryland corporation also may not indemnify for an adverse judgment in a suit by or on behalf of the corporation or for a judgment of liability on the basis that personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by or on behalf of the corporation, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses. In addition, Maryland law permits a Maryland corporation to advance reasonable expenses to a director or officer upon receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

MREIC's charter requires it, to the fullest extent permitted by Maryland law as in effect from time to time, to indemnify and advance expenses to its directors and officers, whether serving MREIC or, at MREIC's request, any other entity, who were or are parties or are threatened to be made parties to any threatened or actual suit, investigation or other proceeding, including administrative actions, as a result of their status or actions as directors or officers of us. MREIC's charter authorizes it to provide the same indemnification and advancement of expenses to its employees and agents.

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Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that, in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

The Company has entered into indemnification agreements with its directors and executive officers which generally provide that the Company is required to indemnify any director or officer who was, is or becomes a party to or witness or other participant in: (i) any threatened, pending or completed action, suit or proceeding in which such director or officer may be or may have been involved, as a party or otherwise, by reason of the fact that the director or officer was acting in his or her capacity as a director or officer of the Company; and (ii) any inquiry, hearing or investigation that such director or officer in good faith believes might lead to the institution of any such action, suit or proceeding against any and all expenses, to the fullest extent permitted by law.

EXPERTS

The consolidated financial statements and schedules of Monmouth Real Estate Investment Corporation as of September 30, 2014 and 2013 and for each of the three years in the period ended September 30, 2014, included in our Annual Report on Form 10-K for the year ended September 30, 2014, have been incorporated by reference herein in reliance upon the report of PKF O'Connor Davies, a division of O'Connor Davies, LLP (PKF, O'Connor Davies), our independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

LEGAL MATTERS

Venable LLP will pass upon certain legal matters in connection with the issuance of shares of Common Stock pursuant to the Plan.

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Item 14. Other Expenses of Issuance and Distribution.

The following are estimates of the expenses to be incurred in connection with the issuance and distribution of the securities to be registered:

Commission Registration Fee	$5,577.60
Accounting Fees and Expenses	2,100.00
Legal Fees and Expenses	8,000.00
Printing Expenses	2,000.00
Miscellaneous	1,322.40
Total	$19,000.00

Item 15. Indemnification of Directors and Officers.

Monmouth Real Estate Investment Corporation (the “Company”) is incorporated under the laws of the State of Maryland. The Maryland General Corporation Law (the “MGCL”), permits a Maryland corporation to include in its charter a provision eliminating the liability of its directors and officers to the corporation and its stockholders for money damages, other than liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services or (ii) active and deliberate dishonesty that was established by a final judgment and was material to the cause of action. The Company’s charter contains a provision that eliminates the liability of its directors and officers to the maximum extent permitted by Maryland law.

The MGCL requires a Maryland corporation (unless its charter provides otherwise, which the Company’s does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) the director or officer actually received an improper personal benefit in money, property or services or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or on behalf of the corporation or for a judgment of liability on the basis that personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for

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an adverse judgment in a suit by or on behalf of the corporation, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

In addition, Maryland law permits a Maryland corporation to advance reasonable expenses to a director or officer upon receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the Company and (b) a written undertaking by him or her on his or her behalf to repay the amount paid or reimbursed by the Company if it is ultimately determined that the standard of conduct was not met.

The Company's charter requires it, to the fullest extent permitted by Maryland law as in effect from time to time, to indemnify and advance expenses to its directors and officers, whether serving the Company or at its request any other entity, who were or are parties or are threatened to be made parties to any threatened or actual suit, investigation or other proceeding, including administrative actions, as a result of their status or actions as directors or officers of the Company. The Company's charter authorizes it to provide the same indemnification and advancement of expenses to employees and agents of the Company.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

The Company has entered into indemnification agreements with its directors and executive officers which generally provide that the Company is required to indemnify any director or officer who was, is or becomes a party to or witness or other participant in: (i) any threatened, pending or completed action, suit or proceeding in which such director or officer may be or may have been involved, as a party or otherwise, by reason of the fact that the director or officer was acting in his or her capacity as a director or officer of the Company; and (ii) any inquiry, hearing or investigation that such director or officer in good faith believes might lead to the institution of any such action, suit or proceeding against any and all expenses, to the fullest extent permitted by law.

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Item 16. Exhibits.

Exhibit Number	Description of Exhibit
4.1	Specimen Authorization Card – American Stock Transfer & Trust Company, LLC.
4.2	Specimen certificate of common stock of Monmouth Real Estate Investment Corporation (incorporated by reference to Exhibit [__] to the Form 8-K filed by the Registrant with the Securities and Exchange Commission on ___ __, 2015, Registration No. 001-33177)
5.1	Opinion of Venable LLP.
23.1	Consent of Venable LLP (included in Exhibit 5.1).
23.2	Consent of PKF O'Connor Davies, a division of O'Connor Davies, LLP.
24.1	Powers of Attorney (included on the signature page).

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Item 17. Undertakings.

The Registrant hereby undertakes:

(a) (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the “Calculation of Registration Fee” table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided however, that:

A. Paragraphs (a)(1)(i) and (a)(1)(ii) of this section do not apply if the registration statement is on Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement; and

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Paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) of this section do not apply if the registration statement is on Form S-3 or Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is
B. contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) If the registrant is a foreign private issuer, to file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (d) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Rule 3-19 of this chapter if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Form F-3.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) If the registrant is relying on Rule 430B (Section 230.430B of the Regulations under the Securities Act of 1933):

A. Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

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B. Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(ii) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any

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of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, each of the undersigned registrants has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, each of the undersigned registrants will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Borough of Freehold, State of New Jersey, on

MONMOUTH REAL ESTATE INVESTMENT CORPORATION

By: /s/ Michael P. Landy

Name: Michael P. Landy

Title: President, Chief Executive Officer, and Director

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael P. Landy and Kevin S. Miller, and each of them, his or her true and lawful attorneys in fact and agents with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) of and supplements to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, granting unto such attorneys in fact and agents and each of them full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, to all intents and purposes and as fully as they might or could do in person, hereby ratifying and confirming all that such attorneys in fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ Michael P. Landy Michael P. Landy	President, Chief Executive Officer, and Director	June 25, 2015
/s/ Kevin S. Miller Kevin S. Miller	Chief Financial Officer and Chief Accounting Officer	June 25, 2015
/s/ Eugene W. Landy Eugene W. Landy	Chairman of the Board and Director	June 25, 2015

/s/ Anna T. Chew Anna T. Chew	Director	June 25, 2015
/s/ Daniel D. Cronheim Daniel D. Cronheim	Director	June 25, 2015

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Signature	Title	Date
/s/ Catherine B. Elflein Catherine B. Elflein	Director	June 25, 2015
/s/ Brian H. Haimm Brian H. Haimm	Director	June 25, 2015
/s/ Neal Herstik Neal Herstik	Director	June 25, 2015
/s/ Matthew I. Hirsch Matthew I. Hirsch	Director	June 25, 2015
/s/ Samuel A. Landy Samuel A. Landy	Director	June 25, 2015
/s/ Scott L. Robinson Scott L. Robinson	Director	June 25, 2015
/s/ Stephen B. Wolgin Stephen B. Wolgin	Director	June 25, 2015