MOSAIC CO
Form DEF 14A
August 25, 2008
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

The Mosaic Company

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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(2) Aggregate number of securities to which transaction applies:

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Headquarter Offices:

Atria Corporate Center, Suite E490

3033 Campus Drive

Plymouth, MN 55441

Telephone (763) 577-2700

August 25, 2008

Dear Stockholder:

You are cordially invited to attend The Mosaic Company s 2008 Annual Meeting of Stockholders. The meeting will be held at the Radisson Hotel and Conference Center, 3131 Campus Drive, Plymouth, Minnesota 55441 on October 9, 2008, at 10:00 a.m. local time. Directions to the meeting are included at the end of the accompanying Proxy Statement. A Notice of the Annual Meeting, a Proxy Statement covering the formal business of the meeting, our Annual Report for the fiscal year ended May 31, 2008, a proxy card and related information are enclosed. At the meeting we will report on our operations during the fiscal year ended May 31, 2008.

I encourage you to attend the meeting and to vote in favor of the election of directors and the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm.

Regardless of whether you expect to attend the meeting, please promptly sign and return the proxy card in the enclosed postage-paid envelope. Even if you execute this proxy, you may revoke it at any time before it is voted. If you attend the meeting and wish to vote in person, you will be able to do so even if you have previously returned your proxy card.

Your cooperation and prompt attention to this matter are appreciated.

Sincerely,

James T. Prokopanko

President and Chief Executive Officer

Table of Contents

Headquarter Offices:

Atria Corporate Center, Suite E490

3033 Campus Drive

Plymouth, MN 55441

Telephone (763) 577-2700

Notice of 2008 Annual Meeting of Stockholders

To Our Stockholders:

The 2008 Annual Meeting of Stockholders of The Mosaic Company, a Delaware corporation, will be held at the Radisson Hotel and Conference Center, 3131 Campus Drive, Plymouth, Minnesota 55441 on October 9, 2008, at 10:00 a.m. local time, to consider and act upon the following matters, each of which is explained more fully in the accompanying Proxy Statement:

1. The election of four directors for terms expiring in 2011, each as recommended by the Board of Directors;

2. The ratification of the appointment of KPMG LLP as our independent registered public accounting firm to audit our financial statements for the year ending May 31, 2009, as recommended by our Audit Committee; and

3. Any other business that may properly come before the 2008 Annual Meeting of Stockholders or any adjournment thereof.

A proxy card for your use in voting on these matters is also enclosed.

In accordance with our Bylaws and resolutions of the Board of Directors, only stockholders of record at the close of business on August 11, 2008 are entitled to notice of and to vote at the 2008 Annual Meeting of Stockholders.

By Order of the Board of Directors

Richard L. Mack

Senior Vice President, General Counsel and Corporate Secretary

August 25, 2008

Table of Contents

TABLE OF CONTENTS

i

Table of Contents

Table of Contents

PROXY STATEMENT

2008 ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON OCTOBER 9, 2008

The Board of Directors of The Mosaic Company is soliciting proxies for use at the 2008 Annual Meeting of Stockholders to be held on October 9, 2008, and at any adjournment of the meeting. This proxy statement and the enclosed proxy card are first being mailed or given to stockholders on or about August 25, 2008.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

What is the purpose of the meeting?

At our Annual Meeting, stockholders will act upon the matters outlined in the Notice of 2008 Annual Meeting of Stockholders. These include the election of directors and ratification of the appointment of our independent registered public accounting firm. Also, management will report on our performance during the fiscal year ended May 31, 2008 and respond to questions from stockholders.

Who is entitled to vote at the meeting?

The Board of Directors has set August 11, 2008, as the record date for the Annual Meeting. If you were a stockholder of record at the close of business on August 11, 2008, you are entitled to vote at the meeting.

As of the record date, 444,148,624 shares of our common stock were issued and outstanding and, therefore, eligible to vote at the meeting.

What are my voting rights?

Holders of our common stock are entitled to one vote per share. Therefore, a total of 444,148,624 votes are entitled to be cast at the meeting. There is no cumulative voting.

How many shares must be present to hold the meeting?

In accordance with our Bylaws, the holders of a majority of the shares entitled to vote at the meeting must be present at the meeting in order to hold the meeting and conduct business. This is called a quorum. Your shares are counted as present at the meeting if:

- you are present and vote in person at the meeting; or
- you have properly submitted a proxy by mail, telephone or internet.

How do I vote my shares?

If you are a stockholder of record as of the record date, you can give a proxy to be voted at the meeting in any of the following ways:

- over the telephone by calling a toll-free number;
- electronically, using the internet; or

by completing, signing and mailing the enclosed proxy card.

The telephone and internet voting procedures have been set up for your convenience. We encourage you to save corporate expense by submitting your vote by telephone or internet. The procedures have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. If you are a stockholder of record and you would like to submit your proxy by telephone

1

or internet, please refer to the specific instructions provided on the enclosed proxy card. If you wish to submit your proxy by mail, please return your signed proxy card to us before the Annual Meeting.

If you hold your shares in street name, you must vote your shares in the manner prescribed by your broker or other nominee. Your broker or other nominee has enclosed or otherwise provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares, and telephone and internet voting is also encouraged for stockholders who hold their shares in street name.

What is the difference between a stockholder of record and a street name holder?

If your shares are registered directly in your name, you are considered the stockholder of record with respect to those shares. If your shares are held in a stock brokerage account or by a bank, trust or other nominee, then the broker, bank, trust or other nominee is considered to be the stockholder of record with respect to those shares. However, you still are considered the beneficial owner of those shares, and your shares are said to be held in street name. Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank, trust or other nominee how to vote their shares using the method described above.

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

If you receive more than one proxy card, it means that you hold shares registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy card.

Can I vote my shares in person at the meeting?

If you are a stockholder of record, you may vote your shares in person at the meeting by completing a ballot at the meeting. Even if you currently plan to attend the meeting, we recommend that you also submit your proxy as described above so that your vote will be counted if you later decide not to attend the meeting.

If you are a street name holder, you may vote your shares in person at the meeting only if you obtain a signed letter or other proxy from your broker, bank, trust or other nominee giving you the right to vote the shares at the meeting.

What vote is required for the election of directors or for a proposal to be approved?

The affirmative vote of a plurality of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote in the election of directors is required to elect directors. This means that since stockholders will be electing four directors, the four nominees receiving the highest number of votes will be elected.

The affirmative vote of a majority of the shares of our common stock present in person or by proxy and entitled to vote at the Annual Meeting is required for the approval of the other proposal.

How are votes counted?

You may either vote FOR or WITHHOLD authority to vote for each nominee for the Board of Directors. You may vote FOR, AGAINST or ABSTAIN on the other proposal.

If you submit your proxy but abstain from voting or withhold authority to vote on one or more matters, your shares will be counted as present at the meeting for the purpose of determining a quorum. Your shares also will be counted as present at the meeting for the purpose of calculating the vote on the particular matter with respect to which you abstained from voting or withheld authority to vote.

Table of Contents

If you withhold authority to vote for one or more of the directors, this has no effect on the election of those directors. If you abstain from voting on a proposal, your abstention has the same effect as a vote against that proposal.

How does the Board recommend that I vote?

You will vote on the following proposals:

- Election of four directors: David B. Mathis, James L. Popowich, James T. Prokopanko and Steven M. Seibert; and
- Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 31, 2009.

The Board of Directors recommends that you vote FOR each of the nominees to the Board of Directors and FOR the ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 31, 2009.

What if I do not specify how I want my shares voted?

If you submit a signed proxy card and do not specify how you want to vote your shares, we will vote your shares:

- FOR all of the nominees for director; and
- FOR the ratification of the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 31, 2009.

Can I change my vote after submitting my proxy?

Yes. You may revoke your proxy and change your vote at any time before your proxy is voted at the Annual Meeting. If you are a stockholder of record, you may revoke your proxy and change your vote by submitting a later-dated proxy by mail or by voting in person at the meeting. To request an additional proxy card, you should contact Carmen Kilde at 1-800-918-8270. If you hold your shares in street name, contact your broker or other nominee regarding how to revoke your proxy and change your vote.

How can I attend the meeting?

You may be asked to present valid picture identification, such as a driver s license or passport, before being admitted to the meeting. If you hold your shares in street name, you also will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from your broker or other nominee are examples of proof of ownership.

Please let us know whether you plan to attend the meeting by marking the attendance box on the proxy card.

Who pays for the cost of proxy preparation and solicitation?

We pay for the cost of proxy preparation and solicitation, including the reasonable charges and expenses of brokerage firms, banks or other nominees for forwarding proxy materials to street name holders.

We are soliciting proxies primarily by mail. In addition, our directors, officers and regular employees may solicit proxies by personal interview, telephone or telegrams. These individuals will receive no additional compensation for their services other than their regular salaries.

Table of Contents

Do you have plans to implement the new rules that allow companies to direct their stockholders to an on-line copy of the proxy materials, rather than sending them paper copies?

As you may have heard, new rules now allow companies to choose to mail their stockholders a notice that their proxy materials can be accessed over the internet, instead of sending a paper copy of the proxy statement and annual report. Stockholders of companies who choose this delivery method can always request delivery of a paper copy of the proxy materials. We have decided not to adopt this new delivery method for this year s annual meeting materials. We are considering carefully how to realize the cost savings opportunity and environmental benefits of avoiding the printing and mailing of these documents to stockholders who do not request paper copies, while still maintaining a meaningful and convenient proxy process for our stockholders.

Important Notice Regarding the Availability of Proxy Materials for the

Stockholder Meeting to be Held on October 9, 2008:

Our Proxy Statement and 2008 Annual Report are available at www.mosaicco.com/proxymaterials.

BENEFICIAL OWNERSHIP OF SECURITIES

Ownership of Securities by Directors and Executive Officers

We have stock ownership guidelines for our directors and our executive officers. Our stock ownership guideline for directors call for ownership of shares in an aggregate amount equal in value to $250,000, to be satisfied prior to the fifth anniversary of the commencement of his or her directorship. For purposes of meeting our stock ownership guidelines, restricted stock units (whether vested or unvested) and shares of our common stock owned by a director are included. Our stock ownership guidelines for executive officers are described under Stock Ownership Guidelines in our Compensation Discussion and Analysis on page 37.

The following table shows the number of shares of common stock owned beneficially, as of July 3, 2008, by (1) each current director, (2) each current executive officer named in the Fiscal 2008 Summary Compensation Table in this proxy statement, and (3) all of our current directors and executive officers as a group. Unless otherwise indicated, the named individual has sole voting and investment power with respect to the shares of common stock beneficially owned by that individual and his or her shares are not subject to any pledge.

Table of Contents

Name	Number of Shares of Common Stock Beneficially Owned (1)(2)(3)	Percent of Outstanding Common Stock
F. Guillaume Bastiaens	11,922	*
Raymond F. Bentele	11,422	*
Phyllis E. Cochran	0	*
Norman B. Beug	178,922	*
Richard D. Frasch	0	*
William R. Graber	14,922	*
Robert L. Lumpkins	18,844	*
Richard L. Mack	111,229	*
Harold H. MacKay	33,672	*
David B. Mathis	48,039	*
William T. Monahan	13,922	*
Steven L. Pinney	136,669	*
James L. Popowich	0	*
James T. Prokopanko	173,642	*
Steven M. Seibert	6,087	*
Lawrence W. Stranghoener	244,641(4)	*
All directors and executive officers as a group (20 persons)	1,121,363	*

* Represents less than 1% of the outstanding shares.

(1) Beneficial ownership of securities is based on information furnished or confirmed by each director or executive officer described above.

(2) Includes the following shares subject to stock options or restricted stock units exercisable or vesting within 60 days of July 3, 2008:

Name	Stock Options	Restricted Stock Units
F. Guillaume Bastiaens		3,470
Raymond F. Bentele		3,470
Norman B. Beug	150,251	9,276
William R. Graber		3,470
Robert L. Lumpkins		6,940
Richard L. Mack	94,768	15,461
Harold H. MacKay	21,750	3,470
David B. Mathis	22,600	3,470
William T. Monahan		3,470
Steven L. Pinney	124,300	12,369
James T. Prokopanko	166,720	3,470
Steven M. Seibert		3,470
Lawrence W. Stranghoener	166,207	54,008
All directors and executive officers as a group (20 persons)	857,842	131,998

(3) We have included stock options and restricted stock units only if they are exercisable, or vest, within 60 days of July 3, 2008. Restricted stock units that do not vest within that period include 5,831 held by each of Messrs. Bastiaens, Bentele, Graber, MacKay, Mathis, Monahan and Seibert; 5,512 held by Ms. Cochran; 1,054 held by Mr. Frasch; 11,662 held by Mr. Lumpkins; and 297 held by Mr. Popowich.

(4) Includes 250 shares of common stock held by Mr. Stranghoener s three children.

Table of Contents

Ownership of Securities by Others

We believe that, as of August 11, 2008, based on filings with the Securities and Exchange Commission, or SEC, the following named organizations are the beneficial owners of more than 5% of our outstanding common stock.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percent of Outstanding Common Stock
Cargill, Incorporated (1) 15615 McGinty Road West Wayzata, Minnesota 55391	285,759,772	64.3%
Cargill Fertilizer, Inc. 15615 McGinty Road West Wayzata, Minnesota 55391	243,972,618	54.9%
GNS I (U.S.) Corp. 15615 McGinty Road West Wayzata, Minnesota 55391	30,155,221	6.8%

(1) Includes 30,155,221 shares of common stock held by GNS I (U.S.) Corp. and 243,972,618 shares of common stock held by Cargill Fertilizer, Inc., both of which are wholly-owned subsidiaries of Cargill, Incorporated. Throughout this proxy statement, we sometimes refer to Cargill, Incorporated individually and/or one or more of its subsidiaries and affiliates (other than us) as Cargill. Our Investor Rights Agreement with Cargill restricts Cargill s ability to acquire shares of our stock for a specified time period as described under Certain Relationships and Related Transactions Investor Rights Agreement.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who own more than 10% of our securities to file initial reports of ownership of those securities on Form 3 and reports of changes in ownership on Form 4 or Form 5 with the SEC. Specific due dates for these reports have been established by the SEC. We are required to disclose in this proxy statement any failure to timely file the required reports by these dates. Based solely on a review of the copies of these reports received by us and written representations from our directors and executive officers, we believe that our directors, executive officers and more than 10% stockholders complied with all Section 16(a) filing requirements for our fiscal year ended May 31, 2008.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Our Board of Directors currently consists of twelve members and is divided into three classes. The members of each class are elected to serve a three-year term with the term of office for each class ending in consecutive years.

Four directors currently serve in the class of directors whose terms expire at the Annual Meeting. David B. Mathis, James L. Popowich, James T. Prokopanko and Steven M. Seibert, each of whom is currently serving in the class of directors whose terms expire at the Annual Meeting, will stand for re-election at the Annual Meeting for a three-year term expiring in 2011.

Following Mr. Mathis s re-election to the Board, which is assured, as described further below, the Board s retirement policy described elsewhere in this proxy statement provides that Mr. Mathis would submit his

Table of Contents

resignation in the year he attains the age of 72, i.e., in 2010, which would be prior to completion of his three-year term in 2011. Mr. Mathis is serving as an IMC Director pursuant to our Investor Rights Agreement with Cargill. We will fill any vacancy resulting from Mr. Mathis s resignation in accordance with our Certificate of Incorporation and our Bylaws.

It is intended that the shares represented by the proxies named on the enclosed proxy card will be voted, unless authorization to do so is withheld, FOR the election of Messrs. Mathis, Popowich, Prokopanko and Seibert to serve until the Annual Meeting of Stockholders in 2011, or until their respective successors have been duly elected and qualified. Directors shall be elected by a plurality of the votes of the shares of common stock present in person or by proxy at the Annual Meeting and entitled to vote in the election. Because Cargill has more than a majority of the votes of the shares of common stock and has, pursuant to our Investor Rights Agreement with Cargill, agreed to vote its shares in accordance with the recommendation by our Board of Directors in favor of Messrs. Mathis, Popowich, Prokopanko and Seibert, their election is assured.

If one or more nominees should become unavailable to serve as a director, it is intended that shares represented by the enclosed proxy card will be voted for such substitute nominee or nominees as may be selected by the Board.

The names of the nominees for director and of those directors continuing in office, their ages, their principal occupations during the past five years, certain other directorships held, and their length of service, if any, on the Board are set forth below.

Nominees for Election as Class I Directors Whose Terms Expire in 2011

David B. Mathis. Age 70, director since October 2004. Mr. Mathis has served as Chairman of Kemper Insurance Companies, which has operations in commercial and personal insurance, risk management and reinsurance, since November 2003. He was both Chairman and Chief Executive Officer of Kemper between February 1996 and November 2003. Mr. Mathis has held a variety of management positions at Kemper since joining the firm in 1960. He is currently a director of Thomas Group, Inc., and serves on the Board of Trustees of Lake Forest College and as Chairman of the James S. Kemper Foundation. He previously served as a director of IMC Global Inc. from February 1995 to October 2004.

James L. Popowich. Age 64, director since December 2007. Mr. Popowich has served as Past President of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), an industry trade association, since May 2008 and previously served as President of CIM from May 2007 to May 2008. He served as President and Chief Executive Officer of Elk Valley Coal Corporation (EVCC), a producer of metallurgical hard coking coal, in Calgary, Alberta, from January 2004 to August 2006, and also served as President of the Fording Canadian Coal Trust, a mutual fund trust that held a majority ownership interest in EVCC, from January 2004 until his retirement in December 2006. Mr. Popowich previously served as Executive Vice President of EVCC from February 2003 to January 2004, and as Executive Vice President of Fording Coal Limited from June 2001 to February 2003. Mr. Popowich joined Fording Coal Limited in 1974 as a planning engineer and held a number of different positions prior to being appointed Executive Vice President in June 2001.

James T. Prokopanko. Age 55, director since October 2004. Mr. Prokopanko has been our President and Chief Executive Officer since January 1, 2007. He joined us as our Executive Vice President and Chief Operating Officer in July 2006, serving in such offices until being elected President and Chief Executive Officer. Previously, he was a Corporate Vice President of Cargill from 2004 to 2006. He was Cargill s Corporate Vice President with executive responsibility for procurement from 2002 to 2006 and a platform leader of Cargill s Ag Producer Services Platform from 1999 to 2006. After joining Cargill in 1978, he served in a wide range of leadership positions, including being named Vice President of the North American crop inputs business in 1995. During his Cargill career, Mr. Prokopanko was engaged in retail agriculture businesses in Canada, the United States, Brazil, Argentina and the United Kingdom.

Table of Contents

Steven M. Seibert. Age 53, director since October 2004. Mr. Seibert joined the Collins Center for Public Policy, a non-profit organization that seeks opportunities and takes action on projects that impact the citizens of Florida and the nation, as its Senior Vice President and Director of Policy in July 2008. Prior to joining the Collins Center, Mr. Seibert operated The Seibert Law Firm in Tallahassee, Florida from January 2003 to July 2008 and represented private and public sector clients in environmental and land use matters. He also served as the Executive Director of the Century Commission for a Sustainable Florida from 2005 until July 2008. Prior to starting a law practice, Mr. Seibert was Secretary of the Florida Department of Community Affairs from 1999 to 2003 and, before that, Mr. Seibert served as an elected County Commissioner representing Pinellas County, Florida from 1992 to 1999.

The Board of Directors recommends a vote FOR the election of the four nominees listed above.

Class II Directors Whose Terms Expire in 2009

Phyllis E. Cochran. Age 56, director since October 2006. Ms. Cochran has served as the Senior Vice President and General Manager of the Parts Group of Navistar, Inc., formerly known as International Truck and Engine Corporation, the operating company of Navistar International Corporation, a truck and engine manufacturer, since January 2007. Previously, she served as Vice President and General Manager of the Parts Group of Navistar, Inc. from January 2004 to December 2006. She also serves on Navistar s Executive Council. Ms. Cochran served as the Chief Executive Officer and General Manager of Navistar Financial Corporation, Navistar s captive finance company, from December 2002 to December 2003. Since joining Navistar in 1979, she has held various positions, including Vice President of Operations at Navistar Financial Corporation and other financial management roles.

Robert L. Lumpkins. Age 64, director since January 2004. Mr. Lumpkins retired as Vice Chairman of Cargill in October 2006. Mr. Lumpkins served as Chief Financial Officer of Cargill from 1989 to 2005. Mr. Lumpkins serves as a member of the Board of Directors of Ecolab, Inc. and Webdigs, Inc. and Chairman of Black River Asset Management. He also serves on the nonprofit board of Howard University.

Harold H. MacKay. Age 68, director since October 2004. Mr. MacKay has served as Counsel to the law firm MacPherson Leslie & Tyerman LLP (MacPherson) in Regina, Saskatchewan, Canada since 2005. Prior to that, Mr. MacKay was a partner of MacPherson from 1969 to 2004. He served as the Clifford Clark policy advisor to the Department of Finance of Canada from 2002 to 2004 and chaired the Task Force on the Future of the Canadian Financial Services Sector in 1997 and 1998. Mr. MacKay is the non-executive Chairman of the Board of Directors of Domtar Corporation and a director of The Toronto-Dominion Bank. He previously served as a director of The Vigoro Corporation from 1994 through its acquisition by IMC Global Inc. in 1996, and served as a director of IMC Global Inc. from 1996 to October 2004. He was made an Officer of the Order of Canada in 2002.

William T. Monahan. Age 61, director since October 2004. Mr. Monahan is the retired Chairman of the Board, President and Chief Executive Officer of Imation Corporation, a developer, manufacturer, marketer and distributor of removable data storage media products and accessories, a position which he held from 1996 until his retirement in 2004. Prior to the formation of Imation, he served as Group Vice President of 3M Company (3M) responsible for its Electro and Communications Group, senior managing director of 3M s Italy business and Vice President of 3M s Data Storage Products Division. Mr. Monahan is currently a director of Hutchinson Technology Inc., Pentair Inc. and Solutia Inc.

Class III Directors Whose Terms Expire in 2010

F. Guillaume Bastiaens. Age 65, director since October 2004. Mr. Bastiaens has served as Vice Chairman of Cargill since February 1998. Mr. Bastiaens has been a member of Cargill s Corporate Leadership Team since its inception in 1999 and has served as a director at Cargill since 1995. He joined Cargill in 1967 and has held various leadership positions in Cargill s processing and technology operations in Europe and the United States. Mr. Bastiaens serves as a director of Donaldson Company, Inc.

Table of Contents

Richard D. Frasch. Age 53, director since October 2007. Mr. Frasch has served as a Senior Vice President and member of the Corporate Leadership Team of Cargill since July and April, respectively, 2008. Mr. Frasch has also served as chair of the Commodity Risk Committee and the executive supervisor of Corporate Research and Development at Cargill since June 2008, and has served on the Cargill Agricultural Supply Chain Platform since June 2008; on the Cargill Animal Protein Platform since January 2008; on Cargill s Business Unit Strategy Working Group since June 2007; and on Cargill s People Team since June 2006. Mr. Frasch served as a Corporate Vice President of Cargill from July 2004 until June 2008 and as a platform leader for Cargill s Ag & Farm Platform and a member of Cargill s Corporate Center since August 1999. Since joining Cargill in 1978, Mr. Frasch has held various positions, including President of Cargill Animal Nutrition from 1998 to 2004.

William R. Graber. Age 65, director since October 2004. Mr. Graber is the retired Senior Vice President and Chief Financial Officer of McKesson Corporation, a healthcare services company. Mr. Graber held this position since joining McKesson in February 2000 through his retirement in May 2004. From 1991 to 1999, Mr. Graber was with Mead Corporation where, prior to becoming Vice President and Chief Financial Officer, he served as Controller and Treasurer. From 1965 to 1991, Mr. Graber held a variety of financial management positions at General Electric Company. Mr. Graber currently serves as a director of Kaiser Permanente and Archimedes, Inc.

Director Retiring From the Board at the 2008 Annual Meeting

Raymond F. Bentele. Age 71, director since October 2004. Mr. Bentele is the retired President and Chief Executive Officer of Mallinckrodt Inc., having served in that capacity from 1982 to 1992. Mr. Bentele was Executive Vice President of Mallinckrodt Group Inc. (formerly known as IMCERA Group Inc.) from 1989 until his retirement. He is also a director of the AMCON Distributing Company and Leggett & Platt Inc. and previously served as a director of IMC Global Inc. from 1990 to 1991 and from June 1994 to October 2004. Mr. Bentele is serving as an IMC Director pursuant to our Investor Rights Agreement with Cargill as described under Policies Relating to the Board of Directors Nomination and Selection of Directors and will retire from our Board of Directors at the conclusion of the Annual Meeting. Our Corporate Governance and Nominating Committee has retained SpencerStuart, a director search firm, to help identify potential director candidates to fill the vacancy that will be created by Mr. Bentele s retirement from our Board. We will fill this vacancy in accordance with our Certificate of Incorporation, our Bylaws and, if applicable at the time we fill this vacancy, our Investor Rights Agreement with Cargill. The person elected to fill this vacancy would be elected to serve for the remainder of Mr. Bentele s unexpired term, i.e., until our Annual Meeting of Stockholders in 2010.

CORPORATE GOVERNANCE

Our Board of Directors oversees the management of our business and determines overall corporate policies. The Board s primary responsibilities are directing our fundamental operating, financial and other corporate strategies and evaluating the overall effectiveness of our management. Our Board currently consists of twelve members and is divided into three classes. The members of each class are elected to serve a three-year term with the term of office for each class ending in consecutive years.

Board Independence

Because more than 50% of our voting power is held by Cargill, we have opted to be treated as a controlled company for purposes of the NYSE listing standards. As a result, the NYSE listing standards do not require our Board to be comprised of at least a majority of independent directors, or our Corporate Governance and Nominating Committee or our Compensation Committee to be comprised entirely of independent directors.

The NYSE listing standards do, however, require our Audit Committee to be comprised entirely of independent directors. The NYSE listing standards also require our Board to make a formal determination each year as to which Mosaic directors are independent.

Table of Contents

In addition to meeting the minimum standards of independence adopted by the NYSE, no director qualifies as independent under the NYSE listing standards unless our Board affirmatively determines that the director has no material relationship with us.

Our Board has adopted Director Independence Standards setting forth specific criteria by which the independence of our directors will be determined. These criteria include restrictions on the nature and extent of any affiliations directors and their immediate family members may have with us, our independent accountants, or any commercial or non-profit entity with which we have a relationship. A copy of our Director Independence Standards is available on our website at www.mosaicco.com under the Investors Corporate Governance caption.

Our Board is comprised of a majority of directors who are independent within the meaning of the NYSE listing standards. Our Audit Committee is comprised solely of directors who are independent. The chair and a majority of the members of our Compensation Committee and of our Corporate Governance and Nominating Committee are independent.

Our Board has determined that Raymond F. Bentele, Phyllis E. Cochran, William R. Graber, Harold H. MacKay, David B. Mathis, William T. Monahan, James L. Popowich and Steven M. Seibert have no material relationships with us, satisfy all of the additional standards of independence included in our Director Independence Standards and are independent. Our Board previously made the same determinations with respect to our former director, Bernard M. Michel, who resigned from our Board in August 2007. In making the independence determinations, our Corporate Governance and Nominating Committee reviewed all of our directors relationships with us based primarily on a review of the responses of the directors to questions regarding employment, business, familial, compensation and other relationships with us and our management. James T. Prokopanko is not independent because he is our current President and Chief Executive Officer. Robert L. Lumpkins, our Chairman of the Board, is not independent because he previously served as Vice Chairman and Chief Financial Officer of Cargill. F. Guillaume Bastiaens is not independent because he is a Vice Chairman of Cargill. Richard D. Frasch is not independent because he is an executive of Cargill.

Committees of the Board of Directors

The Board has six standing committees, including the Executive Committee, the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee, the Environmental, Health and Safety Committee and the Special Transactions Committee, each of which plays a significant role in the discharge of the Board s duties and obligations. The membership of each committee is set forth below. All of the members of the Audit Committee and the Special Transactions Committee, as well as the chairs of the Compensation Committee and of the Corporate Governance and Nominating Committee, are independent under NYSE listing standards. Each of the committees routinely meets in private session without the Chief Executive Officer or other members of management in attendance. Each of the six committees operates under a written charter. The charters are available on our website at www.mosaicco.com under the Investors Corporate Governance caption and are available in print free of charge to any stockholder upon written request addressed to our Corporate Secretary at The Mosaic Company, Atria Corporate Center, Suite E490, 3033 Campus Drive, Plymouth, Minnesota 55441.

Executive Committee

Members:	Robert L. Lumpkins, *Chair*	William T. Monahan
	Raymond F. Bentele	James T. Prokopanko
	Harold H. MacKay	

The Executive Committee is comprised of five directors. It did not meet during our 2008 fiscal year. The Executive Committee is responsible for acting on matters requiring action between Board meetings when it is unnecessary or impractical to convene the full Board, as determined by the chair of the committee.

Table of Contents

Audit Committee

Members:	William R. Graber, *Chair*	David B. Mathis
	Raymond F. Bentele	William T. Monahan
	Phyllis E. Cochran	

The Audit Committee is comprised of five directors. It met ten times during our 2008 fiscal year. The Board of Directors has determined that all of the members of the Audit Committee meet the independence and experience requirements of the NYSE and the SEC. The Board has further determined that William R. Graber is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K promulgated by the SEC. The responsibilities of the Audit Committee include, among other things:

- the appointment, retention, compensation and oversight of the work of our independent registered public accounting firm;
- reviewing the scope and results of the annual independent audit and quarterly reviews of our financial statements with the independent registered public accounting firm, management and internal auditor (or other personnel responsible for the internal audit function);
- reviewing the internal audit plan and audit results;
- reviewing the quality and adequacy of internal control systems with management, the internal auditor and the independent registered public accounting firm; and
- reviewing with the independent registered public accounting firm and management the application and impact of new and proposed accounting rules, regulations, disclosure requirements and reporting practices on our financial statements and reports.

Compensation Committee

Members:	William T. Monahan, *Chair*	Phyllis E. Cochran
	F. Guillaume Bastiaens	David B. Mathis

Our Compensation Committee is comprised of four directors. Only directors who are not officers or employees of ours serve on our Compensation Committee. Although Mr. Bastiaens, a current member of our Compensation Committee, is not an officer or employee of ours, as discussed above under Director Independence, he is a Vice Chairman of Cargill and is therefore not independent within the meaning of the listing standards of The New York Stock Exchange. All of the other three members of our Compensation Committee, including its chair, are independent. Our Compensation Committee met six times during our 2008 fiscal year.

Among other responsibilities of our Compensation Committee are:

- *CEO Compensation:*

- Reviewing and recommending to our Board the amount and nature of direct compensation paid to our CEO; and

- Establishing the amount and nature of benefit programs for our CEO.

Other Executive Officers Compensation. Establishing the amount and nature of direct compensation and benefit programs for our other executive officers.

Severance, Change in Control and Other Termination Arrangements:

- Reviewing and recommending to our Board the levels of compensation under severance, change in control and other termination arrangements for our CEO;

Table of Contents

Establishing any change in control and other termination arrangements for our other executive officers; and

Adopting appropriate forms of agreements reflecting such arrangements.

Incentive Plans:

Reviewing and recommending to our Board any performance goals, thresholds and maximum payout percents under cash and equity incentive plans for executive officers;

Recommending to our Board awards under these plans to our CEO; and

Approving awards under these plans to our other executive officers.

Other Benefit Plans. Overseeing the design and administration of our stock option, incentive and other executive benefit plans. Our Compensation Committee s charter provides that it may delegate its authority to a subcommittee of its members. Our Compensation Committee also may delegate its authority when authorized to do so by one of our compensation plans. Our Omnibus Stock and Incentive Plan expressly permits the Committee to delegate authority as it deems appropriate. As described under Policy on Deductibility of Compensation in our Compensation Discussion and Analysis on page 37, our Compensation Committee has delegated to a subcommittee composed of its independent directors the authority to make decisions which Section 162(m) of the Internal Revenue Code requires to be made by outside directors in order for our annual compensation to certain executive officers in excess of $1 million to be deductible by us for federal income tax purposes as performance-based compensation. Our Compensation Committee has also from time to time delegated authority to its Chair to review and approve particular matters, including services and fees of our independent compensation consultant, as discussed under Independent Compensation Consultant, and a final review of long-term incentive awards immediately prior to their date of grant with authority to determine that grants, as previously approved by the Compensation Committee, should not be made without further consideration by our Compensation Committee, as discussed under Compensation Components and Process Long-Term Incentives, both in our Compensation Discussion and Analysis.

Additional information about our Compensation Committee s responsibilities and its processes and procedures for consideration and determination of executive compensation is included in our Compensation Discussion and Analysis, including under the titles Role of Executive Officers in Compensation Decisions, Independent Compensation Consultant, and Compensation Components and Process.

Corporate Governance and Nominating Committee

Members:	Harold H. MacKay, *Chair*	William R. Graber
	Raymond F. Bentele	Robert L. Lumpkins
	Richard D. Frasch	Steven M. Seibert

The Corporate Governance and Nominating Committee, which is comprised of six directors, including four independent directors, met six times during our 2008 fiscal year. As discussed above under Board Independence, Mr. Lumpkins is not independent because he previously served as Vice Chairman and Chief Financial Officer of Cargill, and Mr. Frasch is not independent because he is an executive of Cargill.

The responsibilities of the Corporate Governance and Nominating Committee include, among other things:

recommending to the Board a set of corporate governance principles applicable to us and providing ongoing oversight of governance;

recommending to the Board nominees for director (subject to the provisions of the Investor Rights Agreement as described below under Nomination and Selection of Directors);

recommending to the Board all committee assignments (subject to the provisions of the Investor Rights Agreement);

Table of Contents

- developing a compensation and benefits program for the Board;
- overseeing the Board and committee annual evaluation process;
- reviewing and approving certain transactions involving related persons; and
- reviewing the succession plan for the Chief Executive Officer.

Environmental, Health and Safety Committee

Members:	F. Guillaume Bastiaens, *Chair*	James L. Popowich
	Richard D. Frasch	Steven M. Seibert

The Environmental, Health and Safety (EHS) Committee, which is comprised of four directors, including two independent directors, met five times during our 2008 fiscal year.

The responsibilities of the EHS Committee include, among other things:

- reviewing policies relating to EHS matters and our objectives and plans for implementing EHS policies, procedures and practices;
- overseeing our monitoring and enforcement of EHS policies and related procedures and practices;
- reviewing with management the scope and plans for conducting audits of our EHS performance and the results of the audits;
- reviewing our compliance with applicable laws, regulations and our EHS policies;
- reviewing with management significant public policy, legislative, regulatory, political and social issues and trends that may impact us;
- reviewing and monitoring environmental risks; and
- reviewing environmental and safety incidents.

Special Transactions Committee

Members:	Harold H. MacKay, *Chair*	David B. Mathis
	Raymond F. Bentele	James L. Popowich

The Special Transactions Committee, which is comprised entirely of independent directors designated by the IMC Directors (as defined under Nomination and Selection of Directors) as required by the Investor Rights Agreement, met six times during our 2008 fiscal year. The responsibilities of the Special Transactions Committee include providing oversight to the review and approval of commercial or other transactions between Cargill and/or its affiliates (other than Mosaic and its subsidiaries), on the one hand, and Mosaic and/or its subsidiaries, on the other hand, with the objective that such transactions will be fair and reasonable to Mosaic, with arm s length terms and conditions.

Policies Relating to the Board of Directors

Nomination and Selection of Directors

The Corporate Governance and Nominating Committee identifies and evaluates potential director candidates in a variety of ways. Periodically the Corporate Governance and Nominating Committee solicits input on potential director candidates from committee and Board members. From time to time the Corporate Governance and Nominating Committee may also identify candidates from other sources, including through consultations with senior management and through the assistance of director search firms. Prior to each annual meeting of stockholders, the Corporate Governance and Nominating Committee will evaluate director candidates recommended by stockholders who have complied with the advance notice procedures set forth in our Bylaws.

Table of Contents

Our Bylaws provide that a stockholder entitled to vote at an annual meeting who wishes to nominate a candidate for election to the Board is required to give written notice to our Corporate Secretary of his or her intention to make such a nomination. In accordance with the advance notice procedures in our Bylaws, a notice of nomination is required to be received within the prescribed time and must contain certain information about both the nominee and the stockholder making the nomination as described in our Policy Regarding Identification and Evaluation of Potential Director Nominees, the full text of which is available on our website www.mosaicco.com under the Investors Corporate Governance caption. The Corporate Governance and Nominating Committee may require that the proposed nominee furnish other information to determine that person s eligibility to serve as a director. The remainder of the requirements of the advance notice procedures with which a notice of nomination must comply are described in this proxy statement under the caption Stockholder Proposals and Nominations for the 2009 Annual Meeting of Stockholders. A nomination that does not comply with the advance notice procedures may be disregarded. Nominations are subject to the provisions of the Investor Rights Agreement discussed below.

All director nominees should possess, in the judgment of the Corporate Governance and Nominating Committee, the director qualifications set forth in our Corporate Governance Guidelines, including:

- Personal characteristics:
  - highest personal and professional ethics, integrity and values;
  - an inquisitive and objective perspective; and
  - practical wisdom and mature judgment;
- Broad experience at the policy-making level in business, agriculture, government, academia or technology;
- Expertise that is useful to us and complementary to the background and experience of other Board members, so that an appropriate balance of skills and experience of the membership of the Board can be achieved and maintained;
- Willingness to represent the best interests of all stockholders and objectively appraise management performance;
- Involvement only in activities or interests that do not create a material conflict with the director s responsibilities to us and our stockholders;
- Commitment in advance of necessary time for Board and committee meetings;
- Diversity, in its broadest sense, reflecting, but not limited to, geography, gender and ethnicity; and
- A personality reasonably compatible with the existing Board members.

The full text of our Corporate Governance Guidelines is available on our website at www.mosaicco.com under the Investors Corporate Governance caption and is available in print free of charge to any stockholder upon written request addressed to our Corporate Secretary at The Mosaic Company, Atria Corporate Center, Suite E490, 3033 Campus Drive, Plymouth, Minnesota 55441.

In connection with the combination of IMC Global Inc. and the fertilizer businesses of Cargill on October 22, 2004, in which we were formed, we entered into the Investor Rights Agreement with Cargill. Under the Investor Rights Agreement, through October 22, 2008, Cargill has agreed to take (including causing its representatives or designees on our Board of Directors to take) commercially reasonable actions to cause any slate of nominees recommended by our Board of Directors to our stockholders to include appropriate individuals to ensure that the resulting Board of Directors will consist of:

seven directors designated by Cargill, or the Cargill Directors;

four directors designated by IMC Global Inc. (or any replacement director nominees designated by such IMC directors or their duly elected replacements), or the IMC Directors;

Table of Contents

- a twelfth director, who is neither a Cargill Director nor an IMC Director, approved by the Corporate Governance and Nominating Committee and a majority of the IMC Directors; and

- such additional directors, if any, as appointed or nominated by the Board in accordance with our Bylaws and the Investor Rights Agreement.

The Cargill Directors are F. Guillaume Bastiaens, Richard D. Frasch, William R. Graber, Robert L. Lumpkins, William T. Monahan, James T. Prokopanko and Steven M. Seibert. The IMC Directors are Raymond F. Bentele, Harold H. MacKay, David B. Mathis and James L. Popowich. Phyllis E. Cochran is neither a Cargill Director nor an IMC Director.

Cargill has also agreed to vote, through October 22, 2008, the voting securities of Mosaic held by it for the slate of director nominees recommended by our Board of Directors, and against any alternative slate of director nominees.

Also through October 22, 2008, Mosaic and Cargill have agreed to take commercially reasonable actions to cause our Board of Directors to be classified into three classes, with the Cargill Directors and IMC Directors allocated as follows: (1) Class I shall include two Cargill Directors and two IMC Directors; (2) Class II shall include two Cargill Directors and one IMC Director; and (3) Class III shall include three Cargill Directors and one IMC Director. Additional directors will be apportioned among the classes to maintain the number of directors in each class as evenly as possible. The Investor Rights Agreement also provides for the following relating to the composition of our Board of Directors and the committees thereof through October 22, 2008:

- We have agreed to take commercially reasonable actions to ensure that at least three of the seven Cargill Directors are nonassociated directors (as defined below) and that at least three of the four IMC Directors are nonassociated directors; and

- We have agreed to take commercially reasonable actions to cause our Corporate Governance and Nominating Committee to be comprised of three Cargill Directors (if reasonably practicable to do so, but in any event no less than two Cargill Directors) and two IMC Directors, except as otherwise necessary to comply with applicable requirements of law and stock exchange listing requirements. The Corporate Governance and Nominating Committee recommends the composition of the other committees, with the objective of including no less than two IMC Directors on each committee unless the IMC Directors otherwise agree.

Nonassociated director, as used in the Investor Rights Agreement, means a member of our Board of Directors who would be considered an independent director of Mosaic under the rules and regulations of the SEC and the NYSE.

Under the provisions of the Investor Rights Agreement, Cargill has the right to designate our Chairman and our Chief Executive Officer and President through October 22, 2008. We have separated the positions of Chairman and Chief Executive Officer so that our Chairman is a nonmanagement director.

Additional provisions of the Investor Rights Agreement are described under Certain Relationships and Related Transactions Investor Rights Agreement. Stockholders who are interested in additional detail may refer to the full text of our Investor Rights Agreement, a copy of which we included as an exhibit to our Annual Report on Form 10-K for the fiscal year ended May 31, 2008. The full text of our Investor Rights Agreement is also available on our website at www.mosaicco.com under the Investors Corporate Governance caption and is available in print free of charge to any stockholder upon written request addressed to our Corporate Secretary at The Mosaic Company, Atria Corporate Center, Suite E490, 3033 Campus Drive, Plymouth, Minnesota 55441.

Table of Contents

Private Sessions of Nonmanagement Directors

The non-management directors meet in private session at each regular Board meeting without the Chief Executive Officer or other members of management in attendance. Our Chairman of the Board, Robert L. Lumpkins, presides at these sessions. In addition, our independent directors meet separately in executive session without the presence of any other non-management directors at least annually.

Compensation of Directors

Non-employee Directors. The Corporate Governance and Nominating Committee reviews our director compensation program on an annual basis to ensure that it is competitive with market practices. Although matters of director compensation ultimately are the responsibility of the full Board, the Corporate Governance and Nominating Committee evaluates director compensation levels, makes recommendations regarding the structure of director compensation, and develops a director pay philosophy that is aligned with the interests of our stockholders. Our Corporate Governance and Nominating Committee routinely seeks information from management on matters for consideration by our Corporate Governance and Nominating Committee. Our Senior Vice President, General Counsel and Corporate Secretary attends meetings of our Corporate Governance and Nominating Committee but is not generally present during executive sessions. In the course of conducting its review of director compensation, the Corporate Governance and Nominating Committee reviews various formal studies regarding director compensation practices at public companies, as well as a variety of other data sources. Based upon its review, the Corporate Governance and Nominating Committee makes recommendations to the full Board regarding director compensation. Neither the Corporate Governance and Nominating Committee nor Mosaic on its behalf has retained a compensation consultant for the purpose of structuring or evaluating director compensation.

Employee Directors. Employee directors (currently Mr. Prokopanko) receive no fees or remuneration for service on the Board or any committee of the Board.

Attendance

Directors are expected to regularly attend Board meetings and meetings of committees on which they serve and to spend the time necessary to properly discharge their responsibilities. In addition to attendance at Board and committee meetings, directors discharge their responsibilities throughout the year by personal meetings and telephone contact with our executive officers and others regarding our business and affairs. Our full Board held eight regular and three special meetings during our 2008 fiscal year. Each director was present for at least 89.5% of the aggregate number of meetings of the Board and committees of the Board of which such director was a member that occurred during our 2008 fiscal year subsequent to the election of such director to the Board.

The directors nominated for election or re-election to the Board at an annual meeting of stockholders are expected to attend that annual meeting. All other directors are encouraged to attend. Last year, eleven of our directors attended the 2007 Annual Meeting of Stockholders.

Retirement from the Board

The Board has a retirement policy which provides that a nonemployee director will voluntarily retire from the Board by submitting a letter of resignation to the Chairman to be effective not later than the date on which our Annual Meeting of Stockholders is to be held during the calendar year in which the nonemployee director has attained or will attain the age of 72. A director who meets this criteria shall submit his or her letter of resignation without regard to the term for which he or she was previously elected to the Board. In addition, it is the policy of the Board that employee-directors (other than the Chief Executive Officer) resign from the Board upon their retirement from Mosaic. The Board also has a policy that any nonemployee director or the Chief Executive Officer of Mosaic submit his or her resignation if he or she has a material change in employment, is the subject of media attention that reflects unfavorably on his or her continued service on the Board or has an unresolved conflict of interest with Mosaic. The Board shall accept or reject the resignation based on the best interests of Mosaic.

Table of Contents

Communications with the Board

The Corporate Governance and Nominating Committee believes that accessibility to the members of the Board is an important element of our corporate governance practices and has adopted a policy regarding communications with the Board. Our Board has ratified this policy. The policy sets forth the methods of communication with the Board as a whole and with individual directors. Pursuant to the policy, our Senior Vice President, General Counsel and Corporate Secretary serves as confidential intermediary between stockholders or other interested parties and the Board.

Stockholders and interested parties are offered several methods for communication with the Board, including via e-mail and through a toll-free telephone number monitored by the office of our Senior Vice President, General Counsel and Corporate Secretary. They may:

- contact our Board via our toll-free telephone number at (800) 461-9330 inside the United States, or call collect to (720) 514-4400 outside the United States;
- send written communication in care of our Senior Vice President, General Counsel and Corporate Secretary at The Mosaic Company, Atria Corporate Center, Suite E490, 3033 Campus Drive, Plymouth, Minnesota 55441;
- send e-mail messages to our Board, including the presiding director of our nonmanagement directors or the nonmanagement directors as a group, to directors@mosaicco.com; or
- send communications relating to accounting, internal accounting controls or auditing matters by means of e-mail messages to auditchair@mosaicco.com.

Stockholders making such communication are encouraged to state that they are security holders and provide the exact name in which their shares are held and the number of shares held.

It is the responsibility of our Senior Vice President, General Counsel and Corporate Secretary to process in a timely manner each communication from stockholders or other interested parties and to forward such communications:

- for communications addressed to the Board of Directors as a whole, to the Chairman of the Board;
- for communications to the presiding director of the nonmanagement directors private sessions or the nonmanagement directors as a group, to the director designated by the Corporate Governance and Nominating Committee;
- for communications addressed to a committee of the Board, to the chair of such committee;
- for communications addressed to an individual director, to such named director; and
- for communications relating to accounting, internal accounting controls or auditing matters, to the members of the Audit Committee.

Spam such as advertising, solicitations for business, requests for employment or requests for contributions will not be forwarded.

Our Senior Vice President, General Counsel and Corporate Secretary, or a member of his staff under his direction, may handle in his discretion any communication that is described within any of the following categories. In that case, he will provide a copy of the original communication to the Chairman of the Board (or to the chair of the Corporate Governance and Nominating Committee) and advise him of any action taken with respect to the communication:

routine questions, complaints and comments that management can appropriately address;

routine invoices, bills, account statements and related communications that management can appropriately address;

Table of Contents

- surveys and questionnaires; and
- requests for business contacts or referrals.

Our Senior Vice President, General Counsel and Corporate Secretary, or a member of his staff, will forward any communications not clearly addressed as set forth above to the Chairman of the Board for handling.

Our Senior Vice President, General Counsel and Corporate Secretary, or a member of his staff under his direction, will maintain a summary log of all communications (other than those excluded as described above), and on a periodic basis will provide to the Chairman of the Board (or to the chair of the Corporate Governance and Nominating Committee) a copy of all log entries made (to the extent any communications have been received) since the immediately preceding report was provided to him. Our Senior Vice President, General Counsel and Corporate Secretary will promptly provide to any director, upon his or her request, a copy of any part of, or all, of the log.

Any director receiving such communications may, at his or her discretion, forward copies of any such communications to any other directors, any Board committee, the other nonmanagement directors or the entire Board for information and/or action as deemed appropriate.

The full text of our policy regarding stockholder communications with the Board of Directors is available on our website at www.mosaicco.com under the Investors Corporate Governance caption.

Policy and Procedures Regarding Transactions with Related Persons

Our Board of Directors, upon the recommendation of the Corporate Governance and Nominating Committee, has adopted a Related-Person Transactions Approval Policy. A copy of the policy is available on our website at http://www.mosaicco.com under the Investors Corporate Governance caption.

This policy delegates to our Corporate Governance and Nominating Committee responsibility for reviewing, approving or ratifying transactions with certain related persons that are required to be disclosed under the rules of the SEC. Under the policy, a related person includes any of our directors or executive officers, certain of our stockholders and members of their immediate family.

Separate policies and procedures are applicable to transactions between us and Cargill. These policies and procedures are administered by our Special Transactions Committee. A description of these policies and procedures is described below under Certain Relationships and Related Transactions Special Transactions Committee and Transactions with Cargill.

Our Related-Person Transactions Approval Policy applies to transactions that involve a related person where we are a participant and the amount involved exceeds, or is reasonably expected to exceed, $100,000, or in which the related person otherwise has a direct or indirect material interest, as well as any amendment or modification to an existing related-person transaction.

Related-person transactions under the policy do not include:

- Any transactions between us and Cargill, which are covered under separate policies and procedures referred to above;
- Any transaction that involves compensation to a director (if such arrangement has been approved by our Board) or executive officer (if such arrangement has been approved, or recommended to the Board for approval, by the Compensation Committee of our Board or is otherwise available generally to all of our salaried employees) in connection with his or her duties to us, including the reimbursement of business expenses incurred in the ordinary course in accordance with our expense reimbursement policies that are applicable generally to all salaried employees; or

Table of Contents

- Any transaction where the related person s interest derives solely from the fact that he or she serves as a director or officer of a not-for-profit organization or charity that receives donations from us in accordance with a matching gift program of ours that is available on the same terms to all of our employees.

In determining whether to approve or ratify a related-person transaction, the Corporate Governance and Nominating Committee will consider, among others, the following factors to the extent it deems relevant:

- Whether the terms of the related-person transaction are fair to us and on terms at least as favorable as would apply if the other party was not or did not have an affiliation with a director, executive officer or 5% stockholder of ours;
- Whether there are demonstrable business reasons for us to enter into the related-person transaction;
- Whether the related-person transaction could impair the independence of a director under our Director Independence Standards;
- Whether the related-person transaction would present an improper conflict of interest for any of our directors or executive officers, taking into account the size of the transaction, the overall financial position of the director or executive officer, the direct or indirect nature of the interest of the director or executive officer in the transaction, the ongoing nature of any proposed relationship, and any other factors our Corporate Governance and Nominating Committee deems relevant; and
- Whether the related-person transaction is permitted under the covenants pursuant to our material debt agreements.

Any member of our Corporate Governance and Nominating Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the related-person transaction, but may, if so requested by the Chair of the Corporate Governance and Nominating Committee, participate in some or all of the Corporate Governance and Nominating Committee s discussions of the related-person transaction. Any related-person transaction that is not approved or ratified, as the case may be, will be voided, terminated or amended, or such other actions will be taken in each case as determined by the Corporate Governance and Nominating Committee so as to avoid or otherwise address any resulting conflict of interest.

Code of Business Conduct and Ethics

Our Board of Directors and management are dedicated to sound corporate governance principles. Our Code of Business Conduct and Ethics (the Code of Ethics) is a statement of our high standards for ethical and legal compliance, and it governs the manner in which we conduct our business. All of our employees, officers, directors, agents and representatives, including consultants, are expected to comply with our Code of Ethics. A copy of our Code of Ethics is available on our website at www.mosaicco.com under the Investors Corporate Governance caption and is available in print free of charge to any stockholder upon written request addressed to our Corporate Secretary at The Mosaic Company, Atria Corporate Center, Suite E490, 3033 Campus Drive, Plymouth, Minnesota 55441.

Table of Contents

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

The following discussion should be read in conjunction with the various tables and accompanying narratives appearing in this proxy statement under Executive Compensation Tables beginning on page 39. Those tables and narratives provide more detailed information regarding the compensation and benefits awarded to, earned by or paid to our Chief Executive Officer and President (CEO) and the other executive officers named in the Fiscal 2008 and 2007 Summary Compensation Table on page 39 (collectively, the Named Executive Officers), as well as the compensation programs in which the Named Executive Officers are eligible to participate.

Overview

The following provides a brief overview of the more detailed disclosures set forth in our Compensation Discussion and Analysis:

- Our Compensation Committee and our management establish the compensation philosophy of Mosaic. Our compensation philosophy seeks to align our strategic interests with our stockholders' interests and to optimize our ability to attract, retain and motivate key employees to create stockholder value.

- Our Compensation Committee also oversees the design and administration of our compensation program for executive officers and other key employees.

- We provide our executive officers with the following principal types of compensation: base salary, annual incentives and long-term incentives, as well as benefit programs designed to attract and retain employees in a competitive marketplace for executive talent.

- We target compensation for our executive officers to be competitive with the evolving practices of the companies with which we believe we compete for executive talent. The pay positioning of individual executive officers is established based on the judgment of our Compensation Committee and/or Board about these competitive market practices as well as other factors they believe to be relevant.

- Our Compensation Committee seeks input and recommendations from management as well as advice and recommendations from Hay Group, Inc., the independent compensation consultant retained by our Compensation Committee.

- We embrace a pay-for-performance philosophy for our executive officers, in which incentive compensation represents a large portion of potential compensation. Our annual incentive compensation program ties payouts to achievement of annual goals, while our long-term incentive compensation consists of stock-based awards that tie compensation levels to the performance of our stock price over time and serve as a tool for our retention of key management talent.

Role of Our Compensation Committee in Executive Compensation

The Compensation Committee of our Board is responsible for establishing with our management the compensation philosophy of Mosaic. It is also responsible for overseeing the design and administration of our compensation programs for our executive officers, as well as other key employees designated by our Compensation Committee. Among other responsibilities of our Compensation Committee under its charter as amended on April 16, 2008 are:

- *CEO Compensation*:

Reviewing and recommending to our Board the amount and nature of direct compensation paid to our CEO; and

Establishing the amount and nature of benefit programs for our CEO.

Other Executive Officers' Compensation. Establishing the amount and nature of direct compensation and benefits for our other executive officers.

Table of Contents

Severance, Change in Control and Other Termination Arrangements:

Reviewing and recommending to our Board the levels of compensation under severance, change in control and other termination arrangements for our CEO;

Establishing any change in control and other termination arrangements for our other executive officers; and

Adopting appropriate forms of agreements reflecting such arrangements.

Incentive Plans:

Reviewing and recommending to our Board any performance goals, thresholds and maximum payout percents under cash and equity incentive plans for executive officers;

Recommending to our Board awards under these plans to our CEO; and

Approving awards under these plans to our other executive officers.

Other Benefit Plans. Overseeing the design and administration of our stock option, incentive and other executive benefit plans. Amendments made to our Compensation Committee s charter on April 16, 2008 reflect the Committee s recommendation that all direct compensation to our CEO be submitted to our Board. Prior to the amendments, the charter permitted the Committee to approve direct compensation to our CEO without submission to our Board if the Committee chose to do so. The Committee believes that this change reflects best practice with respect to CEO compensation. Our Compensation Committee may in its discretion also refer to the full Board for consideration matters within the Committee's approval authority.

Our Compensation Committee s charter provides it with the authority to retain counsel and other experts and consultants as appropriate to discharge its duties and responsibilities. Our Compensation Committee has sole authority to select, retain and terminate our independent compensation consultant and to approve the consultant's fees and other retention terms.

Our Compensation Committee s decisions are based on its understanding of Mosaic, our long-term strategies and the market for comparable positions, as well as its knowledge of the capabilities and performance of our executives.

Compensation Philosophy and Objectives

Our underlying philosophy in designing compensation policies and programs is to align our strategic interests with our stockholders interests and to optimize our ability to attract, retain and motivate key executives to create stockholder value. Within this overall compensation philosophy, the specific objectives set by our Compensation Committee are:

Total direct compensation will be established around the median of the competitive market, with the ability to earn more for superior performance; and

Actual compensation will be positioned relative to market, as appropriate, based on Mosaic s performance and the individual s performance.

We believe that directly linking compensation to achievement of the business priorities that our Board has established best serves stockholder interests and creates stockholder value. We believe that this occurs both by motivating our key executives to achieve those business priorities and by attracting and retaining key executives by affording them the opportunity to impact their total compensation. We intend that total compensation to employees, including base salary, annual incentives, long-term incentives and benefits, be consistent with the compensation philosophy adopted by our Compensation Committee described above.

Table of Contents

Compensation to our executive officers consists of:

- *Direct compensation*:
  - *base salary* to provide a fixed compensation level competitive in the marketplace;
  - *annual cash incentives* to motivate short-term performance against specified financial targets;
  - *long-term incentives* to link management compensation to stockholder returns; and
- *Benefit programs* designed to attract and retain employees in a competitive marketplace for executive talent:
  - *health care,* such as group life, health and disability insurance programs that are generally available to salaried employees;
  - *retirement programs* that are generally available to salaried employees;
  - *deferred compensation programs* that are generally available to key employees;
  - *perquisites,* generally consisting of executive physicals, financial and tax planning, relocation and education assistance and spouse travel designed to optimize the ability of our executives to devote their attention to our affairs and/or to facilitate accomplishment of our business objectives; and
  - *severance and change in control agreements* designed to provide protection against job loss due to reasons beyond the executive's control.

We discuss the separate components of our compensation to our executive officers in more detail under Compensation Components and Process on page 24 below.

Benchmarking

We benchmark our executive compensation against a comparison group of what we consider to be peer companies, which we refer to as our comparator group. We use information about our comparator group's compensation practices as a significant tool in our assessment of the competitiveness of our executive compensation programs. For executives outside the U.S., our Compensation Committee may also consider broader local market data if it believes that the comparator group data may not adequately reflect the competitive marketplace for executive talent in which the executive is employed. We also review, from time to time, other market data and information that is available publicly and consider other reputable surveys and information and broader market trends in making decisions that we believe are in our best interests and those of our stockholders.

Our Compensation Committee selects the components of our comparator group, with the assistance of our management and our Compensation Committee s independent compensation consultant. The comparator group consists of fertilizer, general agricultural and mining companies that we believe comprise a reasonably representative sample of the companies with which we compete for executive talent. Our Compensation Committee reviews the composition of our comparator group annually. During our fiscal year ended May 31, 2008, or fiscal 2008, our Compensation Committee's review included consideration of the significant developments in the prices and markets for our products, as well as the participation of the Committee's new independent compensation consultant initially retained at the end of 2007 and that of our new CEO and Vice President Human Resources, both of whom were elected to their present positions effective in 2007. Criteria used by our Compensation Committee in its review included, among other factors, comparability of size (primarily based on revenue, as well as market capitalization and assets), industry, international geographic scope and complexity of business. As a result of the review in fiscal 2008, the Committee adjusted the members of our comparator group for fiscal 2009. The Committee believes the adjusted composition of our comparator group for fiscal 2009 better reflects our current size, scale and scope in light of the developments in our business, as well as the cyclical nature of the agricultural industry of which we are a part. Our comparator groups for fiscal 2009 and fiscal 2008 are comprised of the following companies:

Table of Contents

COMPARATOR GROUP

Fiscal 2009	Fiscal 2008
Agrium Inc.	Agrium Inc.
Air Products & Chemicals, Inc.	Air Products & Chemicals, Inc.
Ashland Inc.	Avery Dennison Corporation
Baker Hughes Incorporated	Baker Hughes Incorporated
Bunge Limited	Brunswick Corporation
Celanese Corp	Cameco Corporation
CF Industries Holdings, Inc.	CF Industries Holdings, Inc.
CNH Global N.V.	Corn Products International, Inc.
Deere & Company	Eastman Chemical Company
Eastman Chemical Company	Ecolab, Inc.
Ecolab, Inc.	FMC Corporation
Freeport-McMoRan Copper & Gold Inc.	Hormel Foods Corporation
MeadWestvaco Corporation	IPSCO Inc.
Monsanto Company	Lyondell Chemical Company
NOVA Chemical Company	MeadWestvaco Corporation
Peabody Energy Corporation	Monsanto Company
Potash Corporation of Saskatchewan Inc.	NOVA Chemical Company
PPG Industries, Inc.	Potash Corporation of Saskatchewan Inc.
Praxair, Inc.	PPG Industries, Inc.
Rohm and Haas Company	Praxair, Inc.
	Rohm and Haas Company
	The Clorox Company
	The Scotts Miracle-Gro Company
	The Sherwin-Williams Company
	The Valspar Corporation
	Vulcan Materials Company

In setting executive pay, we target compensation to be competitive with the evolving practices of our comparator group. The pay positioning of individual executive officers varies based on our Compensation Committee s and/or Board s judgment regarding such factors as they determine to be relevant. Historically, factors our Compensation Committee and/or Board commonly considered in particular cases have included the executive officer s competencies, skills, experience, compensation history including the historic practices of our predecessor companies, performance, level of responsibilities compared to comparator group levels, and competitive compensation in the locale in which the executive is employed, as well as our organizational structure and internal pay relationships.

Role of Executive Officers in Compensation Decisions

Our compensation practices are the result of a continuing interaction between our Compensation Committee and management. It is the role of management to operate the business and the role of our Board and Compensation Committee to oversee management s actions. Our CEO and our Vice President Human Resources generally attend meetings of our Compensation Committee. They are not generally present during executive sessions. They do not participate in the deliberations regarding their own compensation.

Our Compensation Committee routinely seeks advice and recommendations from management on matters for consideration by our Compensation Committee because management's role in operating the business includes attracting, retaining and motivating our workforce and focusing our workforce's attention on our established goals. These matters include compensation philosophy and program design, as well as specific recommendations for executive compensation. Management s advice and recommendations are primarily formulated by our Human

Table of Contents

Resources Department, with the oversight of our CEO, our Vice President Human Resources and our Senior Vice President, General Counsel and Corporate Secretary. Management s advice and recommendations reflect, among other things, an ongoing dialog among the members of our Compensation Committee, our Board and management and input from the independent compensation consultant retained by our Compensation Committee.

Our CEO, Vice President Human Resources and independent compensation consultant annually review with the Committee and the Chairman of our Board the compensation of each executive officer (other than our CEO) and present compensation recommendations to our Compensation Committee. Our Compensation Committee reviews these recommendations against our stated compensation philosophy and past performance, and exercises its discretion in adopting or changing its compensation decisions or its recommendations to the full Board for its review, discussion and approval.

Our Compensation Committee annually reviews and recommends to the Board for approval corporate goals and objectives relevant to the compensation of our CEO and the direct compensation of our CEO based on his performance evaluation. The Chairman of our Board and the other non-employee directors participate with our Compensation Committee in reviewing the performance of our CEO. Our Compensation Committee also reviews and recommends to the full Board for approval the levels of compensation payable under any employment, severance, change in control or similar compensation arrangements for our CEO, and approves benefits and the forms of any compensation agreements for our CEO.

Independent Compensation Consultant

Hay Group Inc. is our independent compensation consultant. Hay Group furnishes independent advice to our Compensation Committee, and regularly attends and participates in its meetings as requested by our Compensation Committee. Their engagement includes, among other matters:

- ongoing review of existing programs and levels of compensation to ensure market competitiveness (including, among other matters, compilations of data regarding compensation practices of our comparator groups and other companies, information regarding other market practices, as well as current practices and evolving trends in executive compensation);
- recommendations for the design of our executive management compensation and severance and change in control policies based on all relevant factors;
- advice and consultation on our reward philosophy;
- advice on the composition of our comparator group;
- advice on our Compensation Discussion and Analysis;
- advice on specific matters under consideration by our Compensation Committee; and
- furnishing management with advice and information with respect to preparation and validation of materials and recommendations relating to compensation prepared by management for our Compensation Committee or Board.

In accordance with our Compensation Committee's charter, the Committee or its Chair retains, and approves the services of and fees to, Hay Group. Hay Group also has access to and works with management regarding relevant aspects of Hay Group's engagement, including understanding our strategy, structure, how work processes and culture will impact the formulation and implementation of compensation philosophy, comparator groups, competitive pay positioning, specific executive compensation philosophies and other matters.

Compensation Components and Process

The primary elements of our direct compensation programs for executives are: (1) base salary, (2) annual incentives and (3) long-term incentives. In order to attract, retain and motivate employees who add distinctive value to Mosaic, our compensation focus includes all three of these elements of total compensation.

We intend our compensation programs to be competitive in the industries and areas in which we compete for talent and to reflect the scope and responsibilities of the executive s role. We design our programs to reward performance, with both annual and long-term incentives directly linked to performance of the individual, the business unit, the overall organization and/or our stockholder value. All performance measures are aligned with our business goals. In addition, our Compensation Committee considers the annual reviews of an executive officer s performance in setting or recommending to our Board the direct compensation of the executive officer for each fiscal year.

In addition to direct compensation, we also have agreements with our executive officers that furnish them protection in connection with severance and changes in control. Our executive officers are also entitled to participate in employee benefit plans.

The elements of direct compensation, severance and change in control provisions and employee benefit plans are discussed in more detail in the following paragraphs:

Base Salary. We establish base salary levels for executive officers based on our Compensation Committee s review of performance, market trends and surveys of comparator group compensation levels. Our Compensation Committee also considers other factors, including broader local market data for executives outside the U.S., as discussed above under Benchmarking. Our Compensation Committee reviews base salary levels annually, but adjustments to individual base salaries are not automatically made on an annual basis. We discuss the base salaries of our Named Executive Officers in more detail under "CEO Compensation" on page 35 below and "Increases in Other Named Executive Officers' Compensation in Fiscal 2008" on page 36 below.

Annual Incentives. For fiscal 2008, annual incentives for key managers, including executive officers, consisted of awards under our Management Incentive Plan. For fiscal 2007, annual incentives for key managers consisted of awards under our Management Incentive Plan and a Synergy Incentive Plan that has expired.

Fiscal 2008 and 2007 Management Incentive Plan. Our Management Incentive Plan was established pursuant to our 2004 Omnibus Stock and Incentive Plan, which we refer to as our Omnibus Incentive Plan. Participants are eligible for annual cash incentive compensation based upon the attainment of pre-established business and/or individual performance goals.

Under the plan, our Compensation Committee establishes an individual target annual incentive amount for each participant based on the same types of factors as are used for setting base salary. Our Compensation Committee reviews target percentages annually. Target annual incentive awards for the Named Executive Officers for fiscal 2008 were as follows:

Named Executive Officer	Target as a Percent of Base Salary	Target in Dollars
James T. Prokopanko	100%	$ 850,000
Lawrence W. Stranghoener	75%	390,000
Steven L. Pinney	65%	247,000
Richard L. Mack	65%	260,000
Norman B. Beug	65%	249,941

Our Board of Directors, after recommendations by our Compensation Committee, pre-establishes performance goals under the program for our executive officers each fiscal year. For fiscal 2008, the performance goals were measured against our attainment of the following performance measures:

- operating earnings plus equity in net earnings of nonconsolidated companies, which we refer to as operating and equity earnings; and
- net cash flow, defined as net cash provided by operations plus proceeds from sales of assets and minus capital expenditures.

Table of Contents

Our Board of Directors chose the operating and equity earnings and net cash flow measures because they believed these measures were important measures of, among other things, our ability to generate value for stockholders and reduce our long-term indebtedness, which were important objectives of ours for fiscal 2008.

For fiscal 2008, the weightings of the performance measures varied by role. For Corporate executive officers (those who were not leaders of our business segments), these performance measures were based on the operating and equity earnings and the net cash flow of Mosaic and consolidated subsidiaries. The performance measures for executive officers who are leaders of our business segments were based partly on consolidated results and partly on operating and equity earnings and net cash flow of their business segments. The following table shows the weightings of each measure for awards to our Corporate executive officers and for executive officers who are leaders of our business segments:

	Corporate Performance Measures		**Business Unit Performance Measures**	
Role	**Consolidated Operating and Equity Earnings**	**Consolidated Net Cash Flow**	**Business Unit Operating and Equity Earnings**	**Business Unit Net Cash Flow**
Corporate Executive Officers	50%	50%		
Business Unit Leaders	30%	30%	20%	20%

An individual s potential payout under the program would equal that individual s target annual incentive amount if we slightly exceeded the fiscal 2008 budget established by our Board of Directors for operating and equity earnings and achieved the fiscal 2008 budget for net cash flow. Our Compensation Committee set the level of operating and equity earnings necessary for achieving an individual's target annual incentive amount above the budgeted level of operating earnings in order to heighten participants' motivation to take actions to surpass our fiscal 2008 budget.

We also established a threshold of performance below which no payout would be made and a maximum payout percent. We established the threshold and the maximum for each performance measure based on our Compensation Committee s and Board s judgment about the anticipated range of acceptable performance and management s ability to affect the degree of performance.

The maximum payout percent for the operating and equity earnings measure was 200% and for the net cash flow measure was 250%. Unless the threshold for payout under the consolidated operating and equity earnings measure was met, no payout would be made under the Management Incentive Plan. Once the target level for the fiscal 2008 operating and equity earnings measure was achieved, the fiscal 2008 Management Incentive Plan accelerated the rate at which improvement in operating and equity earnings would increase payouts to participants compared to the rate at which improvement would increase payouts after we achieved the threshold level and until we achieved the target level. Our Compensation Committee adopted this accelerated rate in order to heighten participants' motivation to exceed the target level and further align management's interests with those of our stockholders.

Table of Contents

The following charts show the fiscal 2008 payout percentages based on varying degrees of attainment of the Corporate, Phosphates Business Segment and Potash Business Segment performance measures ($ in millions):

Corporate Performance Measures

Phosphates Business Unit Performance Measures

Table of Contents

Potash Business Unit Performance Measures

The actual payout to each of our current executive officers for fiscal 2008 was equal to that individual s target annual incentive amount multiplied by (1) the weighting factor for each performance measure for that individual; and (2) the percentage of attainment of the applicable performance goal for that measure as shown in the charts above.

Table of Contents

For fiscal 2008, payouts under our Management Incentive Plan:

- for executive officers other than the leader of our Potash business segment, were at 225% of target because we exceeded the maximums for all of the Corporate and Phosphates business segment performance measures; and
- for the head of our Potash business segment, was at 218% of target because we exceeded the maximums for the Corporate performance measures and our Potash business segment's operating and equity earnings measure and our Potash business segment achieved 221.5% of target for its net cash flow measure.

The amounts awarded to each Named Executive Officer for fiscal 2008 and fiscal 2007 are included in the Non-Equity Incentive Plan Compensation column in the Fiscal 2008 and 2007 Summary Compensation Table.

Management Incentive Plan Design Changes for Fiscal 2009. Because of the changes in our leadership that occurred in 2007 and the evolution of our strategic direction, our Compensation Committee, upon the recommendation of management, engaged in a comprehensive review of our Management Incentive Plan design for fiscal 2009. As a result of this review, our Board, upon the recommendation of the Compensation Committee, has modified the plan performance metrics for fiscal 2009 to better align the plan with our current short-term and long-term business strategy, including growth in revenue and operating earnings. The two Corporate performance measures for fiscal 2009 are (i) operating earnings and (ii) average working capital. As in prior years, the Corporate performance measures apply to all of our Corporate executive officers. The performance measures for executive officers who are leaders of our business segments are based 60% on the Corporate performance measures and 40% on operating earnings and average working capital of their respective business segments. Both the Corporate performance measures and the business segment performance measures are weighted 80% on the operating earnings measure and 20% on the average working capital measure. The maximum payout percent for both the operating earnings measure and the average working capital measure is 225%. The plan also continues to have a minimum level for both the operating earnings measure and the average working capital measure at which payments begin. In addition, the plan has a separate threshold for the operating earnings measure below which no payout will be made under the average working capital measure. That threshold level of operating earnings necessary for a payout under the working capital measure is lower than the minimum level of operating earnings necessary for a payout under the operating earnings measure.

Our Compensation Committee chose to eliminate equity earnings as a component of the operating earnings measure because equity earnings are from investments in which we have an ownership stake of 50% or less, as a result of which management has less ability to influence equity earnings in the short-term. Our Compensation Committee replaced the former net cash flow measure in favor of the average working capital measure because the Committee believes that the average working capital measure:

- more directly focuses on key areas that management can impact in the short-term such as inventory, accounts receivable and accounts payable;
- requires effective management of asset utilization and balance with the operating earnings measure;
- requires continuous focus on working capital levels through the year rather than only at year-end; and
- promotes attention to budgeted capital expenditure levels and efficiency as we transition from our former goal of generating cash to reduce our level of indebtedness which we completed in fiscal 2008 to reinvesting in and growing our business.

Our Compensation Committee believes that the revised measures and their respective weightings will also encourage management to optimize working capital at a level that maximizes operating earnings.

Table of Contents

We increased the weighting of the operating earnings measure for fiscal 2009 to 80% compared to 50% for the operating and equity earnings measure used for fiscal 2008 in order to emphasize our focus on profitability and the alignment of the plan with the interests of our stockholders. The increased focus on the operating earnings measure reflects, in part, the significant opportunities to increase revenues and earnings in our current market environment and our determination to balance constraints on growth in revenues and earnings that could result from an excessive focus on minimizing working capital with our long-term goal of optimal working capital management, which we believe is important in the cyclical market in which we operate.

The factors we consider in determining the level of performance at which an individual's payout will equal that individual's target annual incentive amount continue to include budgeted levels for the relevant performance measure, but our Compensation Committee also considers other factors. These factors include, for the operating earnings measure, analysts' expectations for Mosaic and its competitors and a level of return on invested capital that the Committee deems appropriate, and for the average working capital measure includes our budgeted sales growth rate. We believe that consideration of analysts' expectations and return on invested capital should more effectively align our annual incentive compensation with stockholder interests, while consideration of the budgeted sales growth rate will facilitate a focus on optimizing rather than merely minimizing working capital levels.

We intend that the fiscal 2009 maximum payout level of 225% for both the operating earnings measure and the average working capital measure be essentially the same in total as the fiscal 2008 maximum payout levels of 200% for the operating and equity earnings measure and 250% for the net cash flow measure. We believe that the 225% maximum level is slightly above the market practice of our comparator group but is appropriate for fiscal 2009 in order to help motivate employees to capture the benefit of the current exceptional agricultural market opportunities for our stockholders, and also to provide an incentive opportunity that is more consistent with prior year awards in light of the expiration of the former Synergy Incentive Plan. We expect to reevaluate our maximum payout level each year as business circumstances change.

We set the threshold of operating earnings that is necessary for a working capital measure payout at a level lower than the minimum level of operating earnings necessary for a payout under the operating earnings measure in order to help provide a continued performance incentive to participants for optimizing our working capital levels if volatility in the agricultural markets and raw materials prices were to adversely affect the operating earnings measure.

Synergy Incentive Plan. For fiscal 2007 and prior years, in addition to the Management Incentive Plan, annual incentives included awards under a Synergy Incentive Plan. The Synergy Incentive Plan was designed to promote the achievement of synergies from the business combination between IMC and the fertilizer businesses of Cargill. This special plan was in effect only for each of our first three fiscal years, and ended May 31, 2007. As a result, there were no payouts under this plan for fiscal 2008.

Pursuant to the Synergy Incentive Plan, key managers, including executive officers, were eligible for additional annual cash incentive compensation. We established a bonus pool for each fiscal year based upon attainment of levels of annual pre-tax synergies, calculated on an annual run-rate basis, resulting from the combination that our Board, as recommended by our Compensation Committee, pre-established.

Long-Term Incentives. Long-term incentive awards are made under our Omnibus Incentive Plan in the form of non-qualified stock options to purchase our common stock and restricted stock units providing grants of our common stock. We use an annual grant of stock options and restricted stock unit awards shortly after the beginning of each fiscal year as a significant component of our executive compensation package. We believe these equity-based awards help align the interests of executive officers and other key employees with those of our stockholders by tying significant portions of the participants compensation to the market price of our common stock.

Table of Contents

Key terms of our stock options and restricted stock units are that:

- Stock options generally become exercisable in equal annual installments in the first three years following the date of grant, expire ten years after the date of grant, and allow grantees to purchase our common stock at the full market price of our common stock on the day the options were granted. Upon termination of employment, option installments that are vested are generally exercisable for three months after termination; unvested installments generally terminate. The Omnibus Incentive Plan expressly prohibits the repricing of options or granting options with exercise prices less than the fair market value of our common stock on the date of grant; and

- Restricted stock unit awards provide grants of our common stock that vest after a period of continued employment with us, which is generally three years. Prior to vesting, restricted stock units granted in fiscal 2008 and prior years generally terminate upon termination of employment and do not include voting or dividend rights. In light of our implementation of a quarterly dividend beginning in the first quarter of fiscal 2009, restricted stock unit awards in fiscal 2009 include dividend equivalents which will be paid at the same time as we issue shares of our common stock to participants after the awards vest. Based upon independent survey data, we believe the inclusion of dividend equivalents in restricted stock unit awards is a common and competitive market practice.

- Stock options and restricted stock units granted in fiscal 2008 and 2007 provide that (absent consent by our Compensation Committee):

  - unvested stock option installments held by a Named Executive Officer whose employment terminates due to death or disability vest in accordance with the normal vesting schedule;

  - following termination of employment due to death or disability, stock options are exercisable for up to the earlier of (i) five years or (ii) the remaining term of the option; and

  - restricted stock units held by a Named Executive Officer vest upon death or disability.

- Stock options and restricted stock units granted before fiscal 2007 provide that (absent consent of our Compensation Committee):

  - stock option installments vested at the time of retirement at or after age 65, death or disability are exercisable for three years; and

  - unvested stock option installments and restricted stock units vest upon termination of employment due to retirement at age 65 or older, death or disability.

We set an estimated value for awards of stock options and restricted stock units for each executive officer based on market data for comparable positions at our comparator group companies as well as our Compensation Committee's judgment regarding internal pay equity and the future contributions to our success that we expect from the executive officer, with a view to providing market-competitive compensation. Our Compensation Committee also considers the amounts and value of outstanding awards and the potential dilutive effect on our stockholders. Estimated values for the Named Executive Officers for fiscal 2008 were as follows:

Named Executive Officer	Estimated Value in Dollars

	Estimated Value as a Percent of Base Salary	
James T. Prokopanko	329%	$ 2,800,000
Lawrence W. Stranghoener	163%	850,000
Steven L. Pinney	171%	650,000
Richard L. Mack	163%	650,000
Norman B. Beug	179%	650,000

We generally establish restricted stock unit awards for executive officers to approximate half of the aggregate dollar value of the executive officer s total long-term incentive awards.

Table of Contents

Once we have determined the estimated value of a participant s long-term incentive awards and the proportion to be represented by stock options and restricted stock units, we establish the specific number of shares to be subject to the stock option and restricted stock unit awards as follows:

Stock Options. The number of shares to be subject to stock options is calculated using a Black-Scholes option pricing model that is based upon assumptions derived from historical data regarding market prices and other data over a period of time preceding the date on which the calculation is made.

The Black-Scholes model that we use to determine the number of shares to be subject to stock options uses assumptions that are not identical to those used to determine share-based compensation expense for the stock options in our financial statements under Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payments, or FAS 123R. We discuss the assumptions we used in calculating the FAS 123R share-based compensation expense of our stock options in note 19 to our audited financial statements for fiscal 2008. We discuss the differences between the assumptions under FAS 123R and the assumptions we used in determining the number of stock option shares that we granted in fiscal 2008 and fiscal 2007 in note (3) to the Fiscal 2008 and 2007 Summary Compensation Table.

The option exercise price is set at a price equal to the closing price of our common stock as reported by The New York Stock Exchange on the date of grant of the option.

Under our current procedures generally applicable to our annual grants of long-term incentive awards, the date of our annual grant is the third trading day after issuance of our press release announcing earnings for our fourth fiscal quarter. The date of grant for other long-term incentive awards is also generally the third business day after issuance of a press release announcing quarterly earnings. We believe that this helps assure that the option exercise price reflects material information regarding Mosaic. In order to address any potential changes in circumstances between the date of action by our Compensation Committee and the date of grant, the Chair of our Compensation Committee also reviews the terms of grants immediately prior to the date of grant and has the authority to determine in his discretion that grants should not be made without further consideration by our Compensation Committee.

Restricted Stock Units. As in the case of stock options, under our current guidelines the date of our annual grant of restricted stock units is the third trading day after issuance of our press release announcing earnings for our fourth fiscal quarter.

Under our current guidelines, the number of shares subject to the annual grant of restricted stock units in fiscal 2008 was established by dividing the estimated value of the grant by the closing price of a share of our common stock on the date of grant.

We have included information regarding restricted stock unit and stock option awards in the Stock Awards and Option Awards columns, respectively, in the Fiscal 2008 and 2007 Summary Compensation Table and in the Fiscal 2008 Grants of Plan-Based Awards Table on page 45, and information regarding stock options and restricted stock units outstanding at the end of fiscal 2008 in the Fiscal 2008 Outstanding Equity Awards at Fiscal Year-End Table on page 46.

Employee Benefits. As part of a competitive total compensation program, we also offer our executives the ability to participate in customary employee benefit programs. These benefit programs include participation in our retirement and group life, health and disability programs on the same basis as other salaried employees, as well as a deferred compensation program, perquisites and protection in the event of severance or a change in control.

Retirement Benefits. Each of the Named Executive Officers and other salaried employees in the United States are eligible to participate in the Mosaic Investment Plan, a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code. We have similar defined contribution retirement plans that cover our full-time non-union Potash business segment employees in Canada. Norman B. Beug, the leader of our Potash business segment, participates in the Canadian plans. We have included our contributions to the accounts of the Named Executive Officers for fiscal 2008 and fiscal 2007 in the All Other Compensation column in the Fiscal 2008 and 2007 Summary Compensation Table. We have included a discussion of the methodology for determining our contributions, including a portion of our contribution that is based upon the level of attainment of the net cash flow performance measure under the Management Incentive Plan, and of the vesting provisions applicable to our contributions, in note (6)(b) to that table.

In addition, we have an unfunded non-qualified deferred compensation plan that has restoration provisions under which we credit the accounts of the Named Executive Officers and other key employees with amounts that would have been contributed under the Mosaic Investment Plan that exceed limitations for tax-qualified plans under the Internal Revenue Code. We have included our contributions to the accounts of the Named Executive Officers for fiscal 2008 and fiscal 2007 under our deferred compensation plan in the All Other Compensation column in the Fiscal 2008 and 2007 Summary Compensation Table.

We also provide restoration benefits to our full-time non-union Potash business segment employees in Canada through fully-funded contributions to participants accounts in an employee savings plan. Our contributions to the Canadian employee savings plan are taxable compensation to the participants. A third party holds participants account balances under the Canadian employees savings plan.

Pursuant to a supplemental retirement agreement entered into by IMC and Mr. Beug prior to the business combination between IMC and the fertilizer businesses of Cargill, Mr. Beug is entitled to additional retirement benefits based on his final average salary and years of credited service to us and our predecessor companies. We have set forth the aggregate change for fiscal 2008 and fiscal 2007 in the actuarial present value of Mr. Beug s benefits under the supplemental retirement agreement in the Change in Pension Values and Nonqualified Deferred Compensation Earnings column in the Fiscal 2008 and 2007 Summary Compensation Table. We have set forth additional information regarding the supplemental retirement agreement, including the actuarial present value of Mr. Beug s accumulated benefit under the agreement, the benefit formula, and the elements of compensation upon which his benefits under the agreement are determined, in the Fiscal 2008 Pension Benefits Table and accompanying narrative and notes on page 48.

Deferred Compensation Plan. In addition to the restoration provisions discussed above under Retirement Benefits, our unfunded non-qualified deferred compensation plan permits the Named Executive Officers and other key employees in the United States who we select to elect to contribute from 5% to 80% of base salary and bonus to the plan. Our directors may contribute up to 100% of directors fees and any other compensation paid in cash. Contributions are made on a tax-deferred basis until distribution of the participant s plan balance. A participant s balance (including balances arising from the restoration provisions described above under Retirement Benefits) accrues gains or losses at rates equal to those on various investments selected by the participant. The investment alternatives are the same as are available for selection by participants as investments under the Mosaic Investment Plan, except that our common stock is excluded.

We do not have a deferred compensation plan for Canadian employees of our Potash business. Full-time non-union Canadian employees of our Potash business may elect to make after-tax contributions of up to 30% (less the participant's before-tax contributions to the tax-qualified defined contribution plans) of pay to the Canadian employees savings plan discussed in the preceding bullet.

Cargill Pension Plan. In addition, certain of our employees, including two of our Named Executive Officers, who were employees of Cargill before the business combination between IMC and the fertilizer businesses of Cargill, participate in Cargill s salaried employees pension plan. Although no additional years of credited service are accrued under this pension plan after December 31, 2004, additional years of vesting service are credited for the purpose of determining eligibility to retire, and covered compensation for purposes of determining benefits includes compensation paid by us to the executive subsequent to the business combination.

Table of Contents

In accordance with the merger and contribution agreement between IMC and Cargill relating to the combination, Cargill incurs the costs associated with pre-combination benefits for certain former employees of Cargill and its subsidiaries under certain pension plans, including Cargill s salaried employees pension plan, and charges them to us. The amount that Cargill may charge to us for pension costs relating to all former Cargill employees may not exceed $2.0 million per year or $19.2 million in the aggregate. As of May 31, 2008, the unused portion of the $19.2 million cap was $11.2 million. Cargill is solely responsible for payment of the annual pension benefits to the participants under Cargill s salaried employees pension plan.

We have included the changes for fiscal 2008 and fiscal 2007 in the actuarial present value of the accumulated benefit under Cargill s salaried employees pension plan for each Named Executive Officer in the Change in Pension Values and Nonqualified Deferred Compensation Earnings column in the Fiscal 2008 and 2007 Summary Compensation Table. We have included additional information regarding Named Executive Officers benefits under the plan, including the actuarial present value of their accumulated benefits under the plan, the benefit formula, and the elements of compensation upon which benefits under the plan are determined, in the Fiscal 2008 Pension Benefits Table and accompanying narrative and notes.

Group Life, Health and Disability Plans. We have established group life, health and disability plans for salaried employees in the U.S. and Canada. The Named Executive Officers may participate in these plans on the same basis as other salaried employees.

Perquisites and Other Benefits. We furnish a limited number of perquisites to our Named Executive Officers. During fiscal 2008, we furnished the following perquisites to our Named Executive Officers that meet the threshold for reporting in the All Other Compensation column in the Fiscal 2008 and 2007 Summary Compensation Table under the rules of the Securities and Exchange Commission:

We have an executive physical exam program pursuant to which approximately 100 senior leaders, including the Named Executive Officers, are entitled to reimbursement for the costs of physicals every three years (in the case of participants under age 40), every two years (in the case of participants between the ages of 40 and 49) and annually (in the case of executives age 50 and older);

We have an executive financial planning program pursuant to which our executive officers, our Vice President and Treasurer, our Vice President Tax and our Vice President Business Development are eligible for reimbursement of up to $20,000 over a three-year period for the costs of financial and tax planning;

We have a corporate travel policy that covers travel expenses for business purposes by spouses of our employees, including travel to industry conferences or functions that we sponsor. Our travel policy also generally provides for a gross-up for taxes on amounts we reimburse under the policy that are taxable compensation to the employee;

We have a relocation plan that pays employees for the cost of relocation. In fiscal 2008, we provided relocation benefits under this plan to Steven L. Pinney, the leader of our Phosphates business segment. Our relocation plan also generally provides for a gross-up for taxes on amounts we reimburse under the plan that are taxable compensation to the employee. We relocated Mr. Pinney s principal office from our Florida operations to our Plymouth, Minnesota headquarters and expanded his responsibilities to include longer-term strategic initiatives, a greater level of participation in our corporate leadership activities and oversight of our Supply Chain function;

We paid tuition and travel expenses for Richard L. Mack, our Senior Vice President, General Counsel and Corporate Secretary, to attend graduate courses to obtain a Masters degree in Business Administration at the Kellogg School of Management at Northwestern University; and

Table of Contents

We furnish a company car to Mr. Beug to facilitate his travel among our Potash business segment s facilities in Saskatchewan. We also furnished a golf club membership to Mr. Beug for business entertainment purposes. During fiscal 2008, we transferred the golf club membership to Mr. Beug and we are no longer responsible for further costs of this membership.

Severance and Change in Control Arrangements.

We have established senior management severance and change in control agreements with each of our executive officers as well as certain other officers or executives designated by our Compensation Committee and Board, in a manner consistent with our compensation philosophy and practices as discussed above. These agreements set forth the terms and conditions upon which our executive officers would be entitled to receive certain benefits upon termination of employment:

- by us with cause;
- by us without cause;
- by the executive officer for good reason;
- by the executive officer without good reason; or
- due to the executive officer s death or disability.

These agreements are intended by our Board, as recommended by our Compensation Committee, to:

- help us attract and retain executive talent in a competitive marketplace;
- enhance the prospects that our executive officers would remain with us and devote their attention to our performance in the event of a potential change in control;
- foster their objectivity in considering a change in control proposal;
- facilitate their attention to our affairs without the distraction that could arise from the uncertainty inherent in change in control and severance situations; and
- protect our confidential information and prevent unfair competition following a separation of an executive officer s employment from us.

In addition, stock options and restricted stock units under our Omnibus Incentive Plan vest upon a change in control.

The Severance and Change in Control Compensation Table on page 57, together with the accompanying narrative and notes, explains in detail the benefits under these arrangements and the circumstances under which a Named Executive Officer would be entitled to them.

CEO Compensation

On October 3, 2006, we announced that, effective January 1, 2007, James T. Prokopanko would become our CEO and President. Prior to becoming our CEO and President, Mr. Prokopanko had been our Executive Vice President and Chief Operating Officer since July 31, 2006. Before that time, Mr. Prokopanko was a Corporate Vice President of Cargill and a director of The Mosaic Company.

Our Board, as recommended by our Compensation Committee, approved compensation arrangements for Mr. Prokopanko for his service as our Executive Vice President and Chief Operating Officer that entitled Mr. Prokopanko to base salary of $525,000 per year, a target bonus under our Management Incentive Plan equal to 80% of his base salary, and long-term incentive awards under our Omnibus Incentive Plan. The long-term incentive awards were in the form of grants of stock options on August 4, 2006 (the date on which we granted

Table of Contents

awards generally under the Omnibus Incentive Plan in 2006) that we valued for compensation purposes at $550,000, and restricted stock units on that date that we valued for compensation purposes at $550,000.

In addition, in lieu of long-term incentive compensation from Cargill valued by our Board at approximately $1.8 million that Mr. Prokopanko forfeited upon his resignation from Cargill, our Board approved the payment to Mr. Prokopanko of $600,000 on July 31, 2006 and the grant to Mr. Prokopanko of additional stock options on August 4, 2006 that we valued for compensation purposes at $600,000, and restricted stock units on that date that we valued for compensation purposes at $600,000.

In connection with Mr. Prokopanko s selection as our CEO, our Board, upon the recommendation of our Compensation Committee, modified Mr. Prokopanko s compensation to reflect his new role and consistent with our compensation philosophy and practices as discussed above, as follows:

- we increased his base annual salary to $750,000;

- we increased his target bonus under our Management Incentive Plan for fiscal 2007 to 100% of his base salary;

- we agreed to grant him long-term incentives under the Omnibus Incentive Plan valued for compensation purposes at $900,000 on the date of grant, to be comprised of 50% (in value) of stock options and 50% (in value) of restricted stock units, all of which were granted on the third trading day after our fiscal 2007 second quarter earnings release; and

- we guaranteed him a minimum six-month bonus of $250,000 for the first two quarters of fiscal 2007, to be paid during the normal timing for payouts under our Management Incentive Plan in the summer of 2007.

Effective November 1, 2007, as part of our annual review of base salaries, our Compensation Committee approved an increase in Mr. Prokopanko's base salary to $850,000 in order to bring his compensation more in line with competitive levels.

The Fiscal 2008 and 2007 Summary Compensation Table and other tables under Executive Compensation Tables, together with the accompanying narratives and notes, include additional details about our compensation to Mr. Prokopanko for fiscal 2008 and fiscal 2007, including the arrangements described in the preceding paragraphs.

Increases in Other Named Executive Officers Compensation in Fiscal 2008

The following table shows the base salary for our other Named Executive Officers as approved as part of our Compensation Committee's annual base salary reviews in fiscal 2008 and 2007. The increases were effective November 1, 2007.

Named Executive Officer	**Base Salary Established at Annual Review in Fiscal 2008 ($)**	**Base Salary Established at Annual Review in Fiscal 2007 ($)**
Lawrence W. Stranghoener	520,000	500,000
Steven L. Pinney	380,000	380,000
Richard L. Mack	400,000	350,000
Norman B. Beug	384,524	362,833

Changes in compensation for these Named Executive Officers in fiscal 2008 were to bring their compensation more in line with competitive levels for their current roles and also reflected internal pay equity. In addition, Mr. Mack's target annual incentive award was increased from 60% to 65% as part of the fiscal 2008 review, bringing his target percentage in line with those of Mr. Pinney and Mr. Beug. The comparative amounts

36

of base salary shown for Mr. Beug, who is an employee of our Canadian Potash business, also reflect the fact that his base salary is paid in Canadian dollars and translated to U.S. dollars for purposes of this proxy statement at the average rates we used to convert the profit and loss statements of our Potash business to U.S. dollars for each applicable fiscal year. As a result, the amounts of base salary shown for Mr. Beug are not necessarily on an entirely comparable basis with the amounts shown for the other Named Executive Officers. Our adjustment of the composition of our comparator group for fiscal 2009 may result in further changes in compensation to appropriately reflect competitive levels within the new comparator group.

Policy on Deductibility of Compensation

Section 162(m) of the Internal Revenue Code limits the tax deductibility by a corporation of annual compensation in excess of $1 million paid to the corporation s principal executive officer or any of its three most highly compensated executive officers (other than the principal executive officer or principal financial officer). However, performance-based compensation that has been approved by stockholders is excluded from the $1 million limit if, among other requirements, the compensation is payable only upon attainment of pre-established, objective performance goals and the board committee that establishes such goals consists only of outside directors.

As discussed under Corporate Governance Committees of the Board of Directors Compensation Committee on page 11, three of the members of our Compensation Committee qualify as outside directors and are able to serve as a subcommittee of outside directors for purposes of meeting this aspect of the provisions of Section 162(m). In the discussion above, when we refer to action by our Compensation Committee with respect to matters required to be taken by outside directors under Section 162(m), we mean that the subcommittee has taken the action.

While the tax impact of any compensation arrangement is one factor to be considered, the tax impact is evaluated in light of our overall compensation philosophy. We will consider ways to maximize the deductibility of executive compensation while retaining the discretion we deem necessary to compensate officers in a manner commensurate with performance and the competitive environment for executive talent.

However, from time to time we may award compensation which is not fully deductible if we determine that the award is consistent with our philosophy and is in the best interests of Mosaic and our stockholders.

Our Omnibus Incentive Plan is designed to permit employee stock options and awards under the Management Incentive Plan to meet the performance-based criteria of Section 162(m). Our restricted stock units do not meet the performance-based criteria of Section 162(m).

We also consider the impact of other tax provisions, such as the restrictions on deferred compensation set forth in Section 409A of the Internal Revenue Code, and attempt to structure compensation in a tax-efficient manner, both for our executive officers and other key managers and for our company.

Stock Ownership Guidelines

Our Compensation Committee has adopted guidelines for ownership of our stock by our executive officers. Executive officers must achieve and maintain the following levels of ownership:

- CEO, five times base salary;
- Executive Vice Presidents and Senior Vice Presidents, three times base salary; and
- Other executive officers, one times base salary.

Executive officers are required to achieve their respective ownership targets within six years of the time of hire or promotion.

Table of Contents

During fiscal 2008, our Compensation Committee, upon the recommendation of management, augmented and clarified our stock ownership guidelines to better reflect competitive practices and to further align the interests of our executive officers with those of our stockholders:

- for purposes of determining whether an executive officer's ownership meets the required level at any particular time, the value of common stock owned is based on the current stock price at that time;
- common stock owned includes stock held by our executive officers through our retirement plans;
- unexercised employee stock options and unvested restricted stock units are not included towards an executive officer s required ownership level;
- the executive officer must hold all net profit shares (the shares of common stock remaining after deducting the number of shares required to be sold in order to pay tax withholding, the exercise price of employee stock options and other costs) from employee stock option exercises and the vesting of restricted stock units until an executive officer has met the required ownership level;
- after an executive officer has met the required ownership level, the executive officer must hold at least 50% of the net profit shares from employee stock option exercises for at least one year; and
- the executive officer must pre-clear any sale of stock with our General Counsel, who reviews the proposed sale with the Chair of our Board and our CEO.

Our Compensation Committee reviews each participant s compliance or progress towards compliance annually, and may impose conditions, restrictions or limitations on any participant in order to achieve the purposes of the stock ownership guidelines. The Chair of our Board and our CEO may jointly grant exemptions in the event of hardship.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the foregoing Compensation Discussion and Analysis. Based on our review and discussion with management, we have recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended May 31, 2008.

Respectfully submitted,

William T. Monahan, *Chair*

Guillaume Bastiaens

Phyllis E. Cochran

David B. Mathis

Table of Contents

Executive Compensation Tables

The following tables and accompanying narratives and notes summarize information about the total compensation awarded to, earned by or paid to each of our Named Executive Officers for our fiscal years ended May 31, 2008, or fiscal 2008, and May 31, 2007, or fiscal 2007.

Our Board elected James T. Prokopanko as our Executive Vice President and Chief Operating Officer effective July 31, 2006, and elected him as our Chief Executive Officer and President effective January 1, 2007. We have furnished a narrative discussion of the executive compensation arrangements for Mr. Prokopanko during this transition period under Compensation Discussion and Analysis CEO Compensation on page 35. The tables below and accompanying narratives and notes include additional detail about our compensation to Mr. Prokopanko for fiscal 2008 and fiscal 2007.

We have included a narrative discussion of our compensation philosophy, processes and components and the bases upon which we make compensation decisions in the Compensation Discussion and Analysis on page 20. The following tables and accompanying narratives and notes provide quantitative data and additional information about the compensation we paid our Named Executive Officers for fiscal 2008 and fiscal 2007 and should be read in conjunction with the Compensation Discussion and Analysis.

Fiscal 2008 and 2007 Summary Compensation Table

Name and Principal Position	Year	Salary ($) (1)(2)	Stock Awards ($) (3)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($) (2)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($) (6)	Total ($)
James T. Prokopanko	2008	808,333	955,554(8)	1,051,194(9)	1,912,500		304,351	5,031,932
Chief Executive Officer and President(7)	2007	532,386	403,706(8)	426,772(9)	975,000		655,484	2,993,348
Lawrence W. Stranghoener	2008	511,667	959,471	518,147	877,500		159,879	3,026,664
Executive Vice President and Chief Financial Officer	2007	468,750	732,514	435,955	767,500		83,183	2,487,902
Steven L. Pinney	2008	380,000	321,986	364,615	555,750	28,000	293,359	1,943,710
Senior Vice President - Phosphate Operations and Supply Chain	2007	342,083	213,561	320,248	512,130	42,000	100,485	1,530,507
Richard L. Mack	2008	379,167	341,890	358,289	585,000	5,000	187,447	1,856,793
Senior Vice President, General Counsel and Corporate Secretary	2007	329,167	231,816	253,215	473,000	9,000	121,992	1,418,190
Norman B. Beug(10)	2008	375,486	272,911	285,402	558,444	799,712	169,295	2,461,250
Senior Vice President - Potash Operations	2007	309,819	164,485	167,110	482,968	552,364	70,744	1,747,490

(1) Reflects the dollar amount of base salary paid in the designated fiscal year.
(2) Includes any amounts deferred at the officer s election to the officer s account under our qualified and non-qualified defined contribution retirement plans and under our deferred compensation plan.
(3) Reflects the compensation cost recognized in our financial statements for the designated fiscal year with respect to restricted stock units or stock options, determined in accordance with Statement of Financial Accounting Standard 123R, or FAS 123R, except that in accordance with SEC rules, the amounts shown

Table of Contents

disregard the estimate of forfeitures related to service-based vesting conditions prescribed by FAS 123R. The assumptions used in the valuation are discussed in note 19 to our audited financial statements for fiscal 2008.

Although the model we use to determine our FAS 123R expense for purposes of our financial statements and the model we use to determine our grants of stock options both use a Black-Scholes methodology, the two models are different in important respects. The model we use to determine our FAS 123R expense is dictated by generally accepted accounting principles while we believe the model we use to determine our grants of stock options is more consistent with the methodology that other companies in the competitive marketplace for executive talent use to make compensation decisions. As a result, our FAS 123R expense is not the same as the estimated value of our option awards established by our Compensation Committee. The primary differences between the model that we used to determine our FAS 123R expense and the model we used to determine our grants of stock options for fiscal 2008 and fiscal 2007 are as follows:

Input	FAS 123R Model	Compensation Model	Effect on Value
Stock Price Volatility	Expected life of option, including IMC stock price history	Mosaic stock price history (from October 22, 2004 business combination between IMC and Cargill Crop Nutrition)	The FAS 123R assumption for grants through fiscal 2008 includes stock price history from IMC that is more volatile than Mosaic stock price history. This factor increases the FAS 123R valuation compared to the model we use for compensation decisions.
Term of Option	Expected life	Full ten-year term in accordance with the provisions of the option	The longer life assumed for purposes of making compensation decisions increases the value we use to determine compensation compared to the FAS 123R model.

(4) Reflects awards under our Management Incentive Plan and, for fiscal 2007, our Synergy Incentive Plan.

Our Management Incentive Plan provides for annual cash incentive compensation to key managers, including the Named Executive Officers, based upon the attainment of pre-established business and/or individual performance goals.

Our Synergy Incentive Plan was a bonus plan established for the first three fiscal years following our formation through the business combination of IMC and the fertilizer businesses of Cargill. Pursuant to the plan, we established a bonus pool each year based upon our achievement of synergies from the combination. We determined individual awards based upon our assessment of the contributions of each participant towards achieving those synergies. Fiscal 2007 was the last year for our Synergy Incentive Plan.

The table below shows the respective amounts awarded under our Management Incentive Plan and Synergy Incentive Plan for fiscal 2007 to each Named Executive Officer:

	Fiscal 2007 Award	
Name	Management Incentive Plan($)	Synergy Incentive Plan($)
James T. Prokopanko	975,000	
Lawrence W. Stranghoener	487,500	280,000
Steven L. Pinney	312,130	200,000
Richard L. Mack	273,000	200,000
Norman B. Beug	282,968	200,000

We have included additional information about our Management Incentive Plan, including the performance measures for fiscal 2008 and the levels of performance that were achieved, under Compensation Components and Process Annual Incentives on page 25 in our Compensation Discussion and Analysis. Awards under our Management Incentive Plan for fiscal 2008 were paid in August 2008.

(5) Reflects the aggregate increase in the actuarial value of pension benefits for fiscal 2008 and fiscal 2007 under Cargill s salaried employees pension plan for Messrs. Pinney and Mack, and under a supplemental retirement agreement with Mr. Beug.
The Cargill plan is a tax-qualified defined benefit pension plan under the provisions of the Internal Revenue Code. Benefits under the plan are generally based on years of service and final average salary prior to termination of employment or retirement. No additional years of credited service are accrued under Cargill s salaried employees pension plan for Messrs. Pinney or Mack after December 31, 2004. Accordingly, their total credited years of service primarily reflects their service with Cargill prior to the October 22, 2004 business combination between IMC and the fertilizer businesses of Cargill through December 31, 2004. However, covered compensation for purposes of determining benefits under Cargill s salaried employees pension plan for Messrs. Pinney and Mack includes post-combination compensation paid by us. In accordance with the merger and contribution agreement related to the combination, Cargill incurs the costs associated with pre-combination benefits for certain former employees of Cargill under certain pension plans, including Cargill s salaried employees pension plan, and charges them to us. The amount that Cargill may charge to us under these plans for pension costs relating to all former Cargill employees may not exceed $2.0 million per year or $19.2 million in the aggregate. As of May 31, 2008, the unused portion of the $19.2 cap million was $11.2 million. Cargill is solely responsible for payment of the annual pension benefits to the participants under Cargill s salaried employees pension plan.

Our supplemental retirement agreement with Mr. Beug provides additional annual retirement benefits to him over the retirement benefits that would be payable to him under (a) our retirement plans that are available to salaried Canadian employees generally and (b) a defined benefit pension plan sponsored by another company from which we acquired our Belle Plaine potash mine and in which Mr. Beug participated prior to our acquisition of that mine. Benefits under the supplemental retirement agreement are based on years of service and final average salary prior to termination of employment or retirement.

We have included additional information about these plans, including the plan measurement date, methodology and assumptions used in determining the amounts in this column, in the Fiscal 2008 Pension Benefits Table and accompanying narrative and notes on page 48.

No non-qualified deferred compensation earnings are reflected in this column because our deferred compensation arrangements do not offer above-market earnings.

(6) The table below shows the components of compensation that are included in this column for fiscal 2008:

Name	**Perquisites ($)(a)**	**Company Contributions to Defined Contribution Plans($)(b)**	**Other($)(a)(c)**	**Total($)**
James T. Prokopanko	21,643	278,026	4,682	304,351
Lawrence W. Stranghoener		159,879		159,879
Steven L. Pinney	156,348	134,463	2,548	293,359
Richard L. Mack	69,141	118,306		187,447
Norman B. Beug	23,458	144,381	1,456	169,295

(a) Perquisites include:

An aggregate of $154,335 under our relocation policy related to Mr. Pinney's relocation of his office from the Florida offices of our Phosphates business segment to our Plymouth, Minnesota headquarters as described in Employee Benefits Perquisites and Other Benefits in our

41

Table of Contents

Compensation Discussion and Analysis on page 34. The relocation amounts shown include our reimbursement to Mr. Pinney of lodging, travel and shipping expenses, as well as an advance payment for the carrying costs related to our purchase of Mr. Pinney s house, including utilities, insurance, property taxes and general maintenance, that was billed to us by the service provider we retained for the purchase. The advance payments we have made, as well as any other advance payments that we may be required to pay in the future, will be reconciled to actual costs after the house has been sold. Our relocation plan also generally provides for a gross-up for taxes on amounts we reimburse under the plan that are taxable compensation to the employee. In accordance with applicable SEC rules, the tax gross-up amount is included in the Other column in the table above. Tax gross-up payments are determined after the end of each calendar year. As a result, the tax gross-up amount included in the table above reflects the amount reimbursed to Mr. Pinney for calendar 2007;

Our payment of tuition and travel expenses for Mr. Mack to attend graduate courses to obtain a Masters degree in Business Administration at the Kellogg School of Management at Northwestern University;

Our incremental costs for personal use by Mr. Beug of:

- a company car that we furnish to Mr. Beug in order to facilitate his travel among our Potash business segment s facilities in Saskatchewan; and

- a golf club membership we furnished to Mr. Beug for business entertainment purposes, as well as our out-of-pocket cost to transfer the golf club membership to Mr. Beug. We are no longer responsible for further costs of this membership;

Amounts paid under our executive physical exam program for Mr. Prokopanko, Mr. Pinney and Mr. Beug;

Amounts paid under our executive financial planning program for Mr. Prokopanko and Mr. Beug.

Amounts reimbursed under our travel policy for travel by the spouses of Mr. Prokopanko, Mr. Pinney and Mr. Beug to industry conferences or functions that we sponsored. Our travel policy also generally provides for a gross-up for taxes on amounts we reimburse under the policy that are taxable compensation to the employee. In accordance with applicable SEC rules, the tax gross-up amounts are included in the Other column in the table above. Tax gross-up payments are determined after the end of each calendar year. As a result, the tax gross-up amount included in the table above reflects the amount reimbursed for calendar 2007.

The incremental cost to us of perquisites for fiscal 2008 did not exceed $10,000 for any other Named Executive Officer.

(b) Reflects our contributions for Named Executive Officers who are employees in the U.S. to the Mosaic Investment Plan, a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code, and to the accounts of each such officer under deferred compensation arrangements reflecting amounts that would have been credited to their accounts in the plan but for limitations under the Internal Revenue Code, as well as our contributions to the account of Mr. Beug, who is employed by our Canadian Potash business, under our Canadian defined contribution plans.

Mosaic Investment Plan

We contribute the following amounts to the Named Executive Officers accounts in the Mosaic Investment Plan:

We match the first 3% of the participant s contributions and half of the next 3% of the participant s contributions. These contributions vest immediately.

We contribute an amount each year equal to a percentage of the participant s eligible pay, consisting of base salary and bonuses (including those under the Management Incentive Plan and,

42

Table of Contents

for fiscal 2007, the Synergy Incentive Plan). The percentage of the participant s pay that we contribute increases with the participant s age. For pay up to the social security wage base, the percentage we pay ranges from 3% for participants under age 30 to 9% for participants age 60 and older. For pay in excess of the social security wage base, we pay an additional 3% over the age-based award. The social security wage base for calendar 2007 was $97,500 and for calendar 2008 is $102,000. These contributions vest once we have employed the participant for at least three years. Our contributions to Mr. Prokopanko s account are not vested because we have employed him for less than three years. Prior to vesting, Mr. Prokopanko would forfeit these contributions upon a termination of his employment.

We also make a discretionary non-elective employer contribution. Our Compensation Committee has determined to base the discretionary non-elective employer contribution on our achievement of performance goals under our Management Incentive Plan. For fiscal 2008, we determined the amount of the discretionary non-elective employer contribution based on the net cash flow measure under the plan, as follows:

(dollars in millions)

Net Cash Flow	**$369.3**	**$615.5**	**$861.7**
Contribution	0%	1.0%	2.0%
(Percent of participant s eligible pay)			

Based on the formula in the table above, for fiscal 2008 we made discretionary non-elective employer contributions to participants accounts of 2.0% of calendar 2007 eligible pay.

These contributions vest once we have employed the participant for at least three years. Our contributions to Mr. Prokopanko s account are not vested because we have employed him for less than three years. Prior to vesting, Mr. Prokopanko would forfeit these contributions upon a termination of his employment.

Contributions that we would have made under the Mosaic Investment Plan that exceed limitations for tax-qualified plans under the Internal Revenue Code are contributed to our unfunded non-qualified deferred compensation plan. We have included additional information about our unfunded non-qualified deferred compensation plan under Non-Qualified Deferred Compensation on page 51.

Canadian Plans

We contribute the following amounts to participants accounts in the Canadian defined contribution plans in which Mr. Beug participates:

We match the first 3% of the participant s contributions and half of the next 3% of the participant s contributions. These contributions vest immediately;

We contribute an amount each year equal to a percentage of the participant s covered compensation. For Mr. Beug, covered compensation includes:

base salary;

bonuses (including those under our Management Incentive Plan and the Synergy Incentive Plan); and

unused amounts under our Canadian flex credit plan. We describe the flex credit plan in note (c) below.

The percentage of the participant s pay that we contribute increases with the participant s age. For pay up to the limit established each year under Canadian law, the percentage we pay ranges from 3% for participants under age 30 to 9% for participants age 60 and older. For pay in excess of the limit, the percentage we pay ranges from 4% for participants under age 30 to 10% for participants

Table of Contents

age 60 and older. These contributions vest once we have employed the participant for at least two years;

For former employees of the company from which we acquired our Belle Plaine potash mine, including Mr. Beug, we contribute an additional amount equal to a percentage of the participant s covered compensation. For covered compensation up to the year s maximum pensionable earnings established under Canadian law, we contribute 1.5% of covered compensation. For covered compensation above that limit, we contribute 2% of covered compensation. The year s maximum pensionable earnings for calendar 2007 was $43,700 and for calendar 2008 is $44,900; and

We make a discretionary non-elective contribution that is the same as under the Mosaic Investment Plan.

Taxable compensation to the participant on our contributions up to the limit established each year under Canadian law is deferred, while our contributions that exceed the limit are taxable compensation to the participant. The limit for calendar 2007 was the lesser of $20,000 or 18% of earnings for calendar 2007 and for calendar 2008 is the lesser of $21,000 or 18% of earnings for calendar 2008. We contribute the amounts that are above these limits to the participant s account in our employee savings plan. The Canadian employee savings plan accounts are held by a third party. The participants choose among various investment alternatives that are the same as are available under the Canadian tax-qualified defined contribution plans. Participants may withdraw their employee savings plan account balances at any time. A participant may also contribute up to 30% (less the participant s before-tax contributions to the tax-qualified defined contribution plans) of pay on an after-tax basis to the participant s employee savings plan account. Participants account balances under the Canadian employee savings plan are not obligations of ours.

(c) Mr. Prokopanko s compensation in this column for fiscal 2007 includes:

a payment of $600,000 in connection with our hiring him as Executive Vice President and Chief Operating Officer as part of compensation to him in lieu of long-term incentive compensation from Cargill valued by our Board at approximately $1.8 million. In addition to this $600,000 payment, also in lieu of the long-term incentive compensation from Cargill, we provided Mr. Prokopanko with the compensation described in notes (8) and (9); and

director s fees of $20,850 for his service as a non-employee director prior to July 31, 2007, when he became an executive officer of the Company.

Mr. Beug s compensation in this column includes payment to him of unused amounts under our flex credit plan. Under our flex credit plan, salaried employees of our Canadian Potash business are entitled to apply an amount each year equal to $1,108 plus 1.169% of annual salary on a pre-tax basis to the payment of premiums under our group life, health or medical plans or as a contribution to the participant s health spending account. Any unused portion is paid to the participant as taxable compensation.

(7) Mr. Prokopanko was elected as our Executive Vice President and Chief Operating Officer, effective July 31, 2006, and became our Chief Executive Officer and President effective January 1, 2007. We have included a discussion of the compensation arrangements for Mr. Prokopanko under CEO Compensation in our Compensation Discussion and Analysis.

(8) The amounts for Mr. Prokopanko include the FAS 123R expense with respect to restricted stock units that we valued for compensation purposes at $600,000 in connection with our hiring him as Executive Vice President and Chief Operating Officer as part of compensation to him in lieu of long-term incentive compensation from Cargill valued by our Board at approximately $1.8 million. In addition to these restricted stock units, also in lieu of the long-term incentive compensation from Cargill, we provided Mr. Prokopanko with the compensation described in notes (6)(c) and (9). The amounts for fiscal 2008 and 2007 also reflect $33,331 and $39,997, respectively, of FAS 123R expense with respect to restricted stock units granted to Mr. Prokopanko for his service as a non-employee director prior to his election as an executive officer.

Table of Contents

(9) The amounts for Mr. Prokopanko include stock options that we valued for compensation purposes at $600,000 in connection with our hiring him as Executive Vice President and Chief Operating Officer as part of compensation to him in lieu of long-term incentive compensation from Cargill valued by our Board at approximately $1.8 million. In addition to these stock options, also in lieu of the long-term incentive compensation from Cargill, we provided Mr. Prokopanko with the compensation described in notes (6)(c) and (8).

(10) Mr. Beug is an employee of our Canadian Potash business and his compensation is paid in Canadian dollars. We converted amounts paid to Mr. Beug to U.S. dollars for purposes of this proxy statement at a rate of CAD 1.014240/USD 1.0 for fiscal 2008 and CAD 1.136687/USD 1.0 for fiscal 2007, the average rates we used to convert the profit and loss statement of our Potash business to U.S. dollars for those fiscal years, except for payments in the Non-Equity Incentive Compensation column which are shown at the U.S. dollar amounts of his awards under our Management Incentive Plan and Synergy Incentive Plan as approved by our Compensation Committee.

Grants of Plan-Based Awards

The following table and accompanying narrative and notes provide information about our awards under our Management Incentive Plan, as well as our grants of stock options and restricted stock units, to each of our Named Executive Officers for fiscal 2008. We did not grant any other award under any equity or non-equity incentive plan in fiscal 2008 that would be paid out in a future fiscal year.

Fiscal 2008 Grants of Plan-Based Awards Table

			Estimated Future Payouts Under Non-Equity Incentive Awards						
Name	**Grant Date**	**Compensation Committee Approval Date (1)**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**All Other Stock Awards; Number of Shares of Stock or Units (#) (2)**	**All Other Option Awards; Number of Securities Underlying Options (#) (3)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards ($) (4)**
James T. Prokopanko			0(5)	850,000	1,912,500				
	8/2/07	7/18/07					83,433	40.03	1,561,866
	8/2/07	7/18/07				34,974			1,400,009
Lawrence W. Stranghoener			0(5)	390,000	877,500				
	8/2/07	7/18/07					25,328	40.03	474,140
	8/2/07	7/18/07				10,617			424,999
Steven L. Pinney			0(5)	247,000	555,750				
	8/2/07	7/18/07					19,368	40.03	362,569
	8/2/07	7/18/07				8,119			325,004
Richard L. Mack			0(5)	260,000	585,000				
	8/2/07	7/18/07					19,368	40.03	362,569
	8/2/07	7/18/07				8,119			325,004
Norman B. Beug			0(5)	249,941	562,367				
	8/2/07	7/18/07					19,368	40.03	362,569
	8/2/07	7/18/07				8,119			325,004

(1) We describe our practices for granting stock options and restricted stock units to employees, including general terms and the timing of grants and approvals, under Compensation Components and Process Long-Term Incentives in our Compensation Discussion and Analysis.

(2) Shows the number of shares subject to restricted stock units granted under our Omnibus Incentive Plan.

(3) Shows the number of shares subject to stock options granted under our Omnibus Incentive Plan.

(4) Reflects the grant date fair value for each Named Executive Officer s grants of restricted stock units or stock options in fiscal 2008, determined in accordance with FAS 123R. A more detailed discussion of our FAS 123R expense is included in note (3) to the Fiscal 2008 and 2007 Summary Compensation Table.

(5) Our Management Incentive Plan provides for annual cash incentive compensation to key managers, including the Named Executive Officers, based upon the attainment of pre-established business and/or individual performance goals. This row shows the threshold, target and maximum potential annual awards under the program for fiscal 2008. We paid the actual awards for fiscal 2008 in August 2008. The amount of

Table of Contents

the actual fiscal 2008 award for each Named Executive Officer is set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

We have included additional information about our Management Incentive Plan, including the performance measures for fiscal 2008 and the levels of performance that were achieved, under Compensation Components and Process Annual Incentives Management Incentive Plan in our Compensation Discussion and Analysis.

Outstanding Equity Awards at Fiscal Year-End

The following table and accompanying narrative and notes summarize the outstanding equity awards held by the Named Executive Officers as of May 31, 2008.

Fiscal 2008 Outstanding Equity Awards at Fiscal Year-End Table

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($) (1)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (2)
James T. Prokopanko	60,462	120,926(3)	15.45	8/4/16	3,470(4)	434,860
	17,985	35,972(5)	20.70	2/1/17	67,752(6)	8,490,681
		83,433(7)	40.03	8/2/17	6,174(8)	773,726
					21,739(9)	2,724,331
					34,974(10)	4,382,942
Lawrence W. Stranghoener	52,084		15.04	9/22/14	21,645(4)	2,712,551
	20,373	40,747(3)	15.45	8/4/16	20,373(6)	2,553,144
		25,328(7)	40.03	8/2/17	4,350(8)	545,142
	43,290	21,645(11)	17.29	8/1/15	10,617(10)	1,330,522
					23,272(12)	2,916,447
					32,363(13)	4,055,731
Steven L. Pinney	51,822		15.04	10/29/14	12,369(4)	1,550,083
	14,458	28,917(3)	15.45	8/4/16	14,458(6)	1,811,877
		19,368(7)	40.03	8/2/17	3,088(8)	386,988
	24,737	12,369(11)	17.29	8/1/15	8,119(10)	1,017,473
					18,285(12)	2,291,476
Richard L. Mack	10,384		15.04	10/29/14	15,461(4)	1,937,573
	15,773	31,546(3)	15.45	8/4/16	15,773(6)	1,976,672
		19,368(7)	40.03	8/2/17	3,368(8)	422,078
	30,921	15,461(11)	17.29	8/1/15	8,119(10)	1,017,473
					16,623(12)	2,083,194
Norman B. Beug	9,300		15.0312	2/22/10	9,276(4)	1,162,468
	7,000		13.55	2/28/11	14,458(6)	1,811,877
	8,750		10.71	11/5/11	3,088(8)	386,988
	22,000		10.76	1/2/13	8,119(10)	1,017,473
	40,000		10.19	1/2/14	9,974(12)	1,249,942
	14,458	28,917(3)	15.45	8/4/16		
		19,368(7)	40.03	8/2/17		
	18,552	9,277(11)	17.29	8/1/15		

(1) The exercise price for all stock options is the fair market value of our common stock on the date of grant, which is equal to the closing price as reflected on The New York Stock Exchange composite tape.

(2) The amounts were calculated by multiplying the closing market price of our common stock on May 30, 2008 of $125.32 per share by the number of unvested shares.

Table of Contents

(3) Half of these options vested on August 4, 2008 and half will vest on August 4, 2009.
(4) These restricted stock units vested on August 1, 2008.
(5) These options vest in two equal installments on February 1, 2009 and 2010.
(6) These restricted stock units vest on August 4, 2009.
(7) One-third of these options vested on August 2, 2008 and one-third vest on August 2 in each of 2009 and 2010.
(8) These restricted stock units vest on October 6, 2009.
(9) These restricted stock units vest on February 1, 2010.
(10) These restricted stock units vest on August 2, 2010.
(11) These options vested on August 1, 2008.
(12) These restricted stock units vest on October 29, 2008.
(13) These restricted stock units vested on August 4, 2008.

Option Exercises and Stock Vested

The following table and accompanying notes set forth information about stock options that the Named Executive Officers exercised during fiscal 2008 and restricted stock units of the Named Executive Officers that vested during fiscal 2008.

Fiscal 2008 Option Exercises and Stock Vested Table

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($) (1)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($) (2)**
James T. Prokopanko			3,452	$ 238,706
Lawrence W. Stranghoener			32,362	$ 1,277,652
Steven L. Pinney				
Richard L. Mack				
Norman B. Beug	12,150	$ 512,684		

(1) We calculated these amounts by multiplying the number of shares exercised times the difference between (a) the closing price of our common stock on the date of the option exercise as reported on The New York Stock Exchange composite tape and (b) the exercise price of the stock option.
(2) We calculated these amounts by multiplying the number of shares vested times the closing price of our common stock as reported on The New York Stock Exchange composite tape on the vesting date.

Pension Benefits

Cargill Pension Plan

Messrs. Pinney and Mack participate in Cargill s salaried employees pension plan. This plan is a tax-qualified defined benefit pension plan under the provisions of the Internal Revenue Code. Benefits under the plan are generally based on years of service and final average salary prior to termination of employment or retirement. No additional years of credited service are accrued under Cargill s salaried employees pension plan for Messrs. Pinney or Mack after December 31, 2004. Accordingly, their total credited years of service primarily reflects their service with Cargill, while their credited years of service for employment at Mosaic includes only the period from the October 22, 2004 business combination between IMC and the fertilizer businesses of Cargill through December 31, 2004. However, additional years of vesting service are credited for the purpose of determining eligibility to retire, and covered compensation for purposes of determining benefits under Cargill s salaried employees pension plan for Messrs. Pinney and Mack includes post-combination compensation that we pay them.

Table of Contents

In accordance with the merger and contribution agreement related to the combination, Cargill incurs the costs associated with pre-combination benefits for certain former employees of Cargill under certain pension plans, including Cargill s salaried employees pension plan, and charges them to us. The amount that Cargill may charge to us under these plans for pension costs relating to all former Cargill employees may not exceed $2.0 million per year or $19.2 million in the aggregate. As of May 31, 2007, the unused portion of the $19.2 million cap was $11.2 million.

Cargill is solely responsible for payment of the annual pension benefits to the participants under Cargill s salaried employees pension plan.

Supplemental Retirement Agreement

IMC and Mr. Beug entered into a supplemental retirement agreement prior to the business combination between IMC and the fertilizer businesses of Cargill. This agreement provides additional annual retirement benefits to Mr. Beug over the retirement benefits that would be payable to him under (a) our retirement plans that are available to salaried Canadian employees generally and (b) a defined benefit pension plan sponsored by another company from which we acquired our Belle Plaine potash mine and in which Mr. Beug participated prior to our acquisition of that mine. Benefits under the supplemental retirement agreement are based on years of service and final average salary prior to termination of employment or retirement. In addition, prior to the combination, IMC established a trust to secure the payment of certain retirement obligations, including Mr. Beug s supplemental retirement agreement. The trust agreement requires that we fund 105% of the aggregate actuarially determined liabilities under all of these retirement obligations by means of contributions to the trust and/or by furnishing letters of credit to the trustee. As of the date of this proxy statement, we had furnished the trustee with a letter of credit under our senior secured bank credit facility in the amount of approximately $4.9 million.

The following table and accompanying narrative and notes provide information about the participation of the Named Executive Officers in Cargill s salaried employees pension plan and under Mr. Beug s supplemental retirement agreement.

Fiscal 2008 Pension Benefits Table

Name	**Plan Name**	**Number of years of Credited Service (#)**	**Present Value of Accumulated Benefit ($) (1)**
Steven L. Pinney(2)	Cargill, Incorporated and Associated Companies Salaried Employees Pension Plan	29	604,000
Richard L. Mack(2)	Cargill, Incorporated and Associated Companies Salaried Employees Pension Plan	10	78,000
Norman B. Beug(3)	Supplemental Retirement Agreement	31	2,657,655

(1) These amounts are estimates and do not necessarily reflect the actual amounts that will be paid to the Named Executive Officers, which will only be known when they become eligible for payment.

(2) Annual benefits under Cargill s salaried employees pension plan are equal to the sum of:

Old Formula Benefit. The annual benefit for service through December 31, 1991 indexed for future salary increases. The benefit is:

1.50% of final average annual salary as of December 31, 1991 minus 1.25% of annual social security benefits at age 65 determined as of December 31 1991, multiplied times years of service (not to exceed 40), multiplied times

Table of Contents

an index factor. The index factor is determined by dividing final average salary at termination by final average salary determined at December 31, 1991; plus

New Formula Benefit. For service after December 31, 1991, the benefit is equal to 0.80% of final average salary plus 0.35% of final average salary in excess of Covered Compensation (as defined for social security purposes), all times years of service. Years of service are based on service after December 31, 1991 and are limited to (i) 40 years less service as of December 31, 1991 for the 0.80% component of the benefit, and (ii) 35 years less service as of December 31, 1991 for the 0.35% component of the benefit. For the new formula benefit, service is frozen for Messrs. Pinney and Mack as of December 31, 2004 and final average salary and covered compensation are as of the termination date.

Normal retirement benefits are payable at age 65. Messrs. Pinney or Mack may retire with unreduced retirement benefits under the plan once they are age 60. Once they are age 55, they may retire early and receive benefits that are reduced based on the percentages specified in the table below for each year that the payments start prior to age 60. Messrs. Pinney and Mack are ages 54 and 40, respectively, and had 32 and 13 years of credited vesting service at March 1, 2008.

Years of Credited Vesting Service	Per Year Reduction Percentage
35 or more	3%
30 34	4%
25 29	5%
20 24	6%
15 19	7%

If they terminate employment before age 55, they may either receive an unreduced benefit commencing at age 65, or may elect to receive a reduced benefit at an earlier date.

The normal form of payment of the annual benefit is a straight life annuity. Optional benefit forms include actuarial equivalent joint and survivor and 10-year certain and life annuities. The plan does not offer lump sum payments.

The credited years of service for Messrs. Pinney and Mack include their service with Cargill. Their benefits under the plan are fully vested.

Compensation Used to Determine Pension Benefits

Eligible compensation consists of base salary. Eligible compensation is limited under the Internal Revenue Code to $225,000 for calendar 2007 and $230,000 for calendar 2008.

Valuation Assumptions

The amounts listed in the Present Value of Accumulated Benefit column of the Fiscal 2008 Pension Benefits Table and the amounts listed in the Change in Pension Value and Non-Qualified Deferred Compensation Earnings column in the Fiscal 2008 and 2007 Summary Compensation Table are based on the following assumptions:

discount rates of 6.00% and 5.70% for the present value calculations as of March 1, 2008 and 2007, respectively, and post-retirement mortality using the RP-2000 mortality table with fixed 10-year and fixed 5-year projections for the present value calculations as of March 1, 2008 and 2007, respectively, combined mortality for active employees and retirees, and no collar adjustments. These are the same assumptions used by Cargill in determining the accumulated benefits under the Cargill salaried employees pension plan that it uses in determining its charges to us for the plan;

retirement age of 60, which is the earliest age that any Named Executive Officer may retire with unreduced retirement benefits under the plan; and

49

Table of Contents

expected terminations, disability and pre-retirement mortality: none assumed.

The present values of the accrued benefits were calculated as of March 1, 2008, the date used by Cargill in determining its charges to us for the plan.

(3) The benefits under Mr. Beug s supplemental retirement agreement are determined by the following formula:

- 2% of Mr. Beug s final average salary times his first 25 years of credited service; plus
- 1% of his final average salary times his years of credited service above 25 years, up to a maximum of ten years; minus
- 2% of the benefit payable to him for the first 25 years of credited service under the Canadian government s pension plan; minus
- the amount of the annual retirement benefit that he could purchase from the balance of his account under our Canadian defined contribution retirement plans in which he participates; minus
- the amount of the normal benefit payable to him pursuant to a defined benefit pension plan of the company from which IMC acquired our Belle Plaine, Saskatchewan potash mine. Mr. Beug does not accrue additional pension benefits under this plan for his service with us, and we are not responsible for payments to Mr. Beug under this plan.

Mr. Beug s credited years of service under the supplemental retirement agreement include his years of service with the company from which IMC acquired the Belle Plaine mine. Mr. Beug s benefits under the supplemental retirement agreement are fully vested.

The earliest Mr. Beug is entitled to unreduced benefits under the agreement is age 62. Mr. Beug, who is age 56 at the date of this proxy statement, is entitled to elect to receive reduced benefits under the agreement upon retirement at age 55 or older. If Mr. Beug elects to receive benefits before age 62, the amount of his benefits determined in accordance with the first three bullet points in this footnote are reduced by one-third of 1% for each month between the date on which his benefits commence and age 62.

The normal form of payment of the annual benefit under the supplemental retirement agreement is equal monthly installments payable for life. If Mr. Beug is married at the time his benefits under the supplemental retirement agreement commence, his monthly retirement benefits are reduced to provide actuarially equivalent reduced monthly payments to him for life and 60% of the reduced monthly payment to his surviving spouse after his death, unless his spouse waives the right to these payments. In the event of Mr. Beug s death prior to retirement, his spouse, beneficiary or estate would be entitled to payment equal to the actuarial equivalent of his vested benefits, either in the form of a lump sum or a lifetime pension.

The amounts in the Present Value of Accumulated Benefit column and the amounts listed in the Change in Pension Value and Non-Qualified Deferred Compensation Earnings column in the Fiscal 2008 and 2007 Summary Compensation Table for Mr. Beug under his supplemental requirement agreement were calculated using the following assumptions:

- discount rates of 5.75% and 5.00% for the present values as of May 31, 2008 and 2007, respectively, and post-retirement mortality using the UP94 mortality table projected to 2015 with scale AA;
- salary scales of 4.0% and 3.5% for the present values as of May 31, 2008 and 2007, respectively; and

retirement at age 62, which is the earliest age that he may retire with unreduced benefits under the agreement.
These are the same assumptions we used for financial reporting purposes in our audited financial statements for fiscal 2008.

The present value of the accrued benefits was calculated as of February 29, 2008, the same measurement date used for our audited financial statements for fiscal 2008 with respect to Mr. Beug s supplemental retirement agreement.

Table of Contents

Non-Qualified Deferred Compensation

The table below sets forth the contributions, earnings and distributions for fiscal 2008 and balances at May 31, 2008 for each of the Named Executive Officers under our deferred compensation plan.

The Executive Contributions in Last FY column shows the deferral by each Named Executive Officer of a portion of salary or award under our Management Incentive Plan for fiscal 2008 that is reported in the Fiscal 2008 and 2007 Summary Compensation Table in the Salary or Non-Equity Incentive Plan column.

The Registrant Contributions in Last FY column reflects our contributions under the restoration provisions of our deferred compensation plan. The amount we credit under these restoration provisions is equal to the amount that would have been contributed to our tax-qualified defined contribution plan for the Named Executive Officer that exceeds limitations for tax-qualified plans under the Internal Revenue Code. The limit on contributions under the Internal Revenue Code was $45,000 for contributions for calendar 2007 and is $46,000 for contributions in calendar 2008. The formula for determining the aggregate amount of our contributions to the account of a Named Executive Officer to the tax-qualified and non-qualified plans is discussed in note (6)(b) to the Fiscal 2008 and 2007 Summary Compensation Table.

Each participant in our deferred compensation plan may choose how and when to receive payments of the portion of the participant s account balance that results from the participant s own contributions. A participant may choose to receive payments of this portion of the participant s account balance on a specified date in a lump sum or in annual installments for up to ten years beginning on a date specified by the participant. If no election is made, payment is made in a lump sum after termination of employment. The portion of the participant s account balance that results from our contributions is payable after termination of employment.

The Aggregate Earnings in Last FY column shows the earnings on each Named Executive Officer s account balance for fiscal 2008, and the Aggregate Balance at Last FYE column shows the balance of each Named Executive Officer s account as of the end of fiscal 2008. The Aggregate Withdrawals/Distributions column shows payments made to each Named Executive Officer from his account in fiscal 2008.

Our deferred compensation plan is available only for U.S. employees. Mr. Beug, who is an employee of our Canadian Potash business, is not eligible to participate in it and our Canadian Potash business does not have a deferred compensation plan.

Fiscal 2008 Non-Qualified Deferred Compensation Table

Name	**Executive Contributions in Last FY ($) (1)**	**Registrant Contributions in Last FY ($) (2)**	**Aggregate Earnings in Last FY ($) (3)**	**Aggregate Withdrawals/ Distributions ($)**	**Aggregate Balance at Last FYE ($) (4)**
James T. Prokopanko	66,667	242,926	2,824	78,363	235,248
Lawrence W. Stranghoener		125,500	4,194		163,178
Steven L. Pinney	21,217	99,813	4,071		154,227
Richard L. Mack	267,750	87,918	6,869	277,614	111,904

(1) These amounts are included as part of the compensation shown for the Named Executive Officer in the Salary or Non-Equity Incentive Plan Compensation column for fiscal 2008 in the Fiscal 2008 and 2007 Summary Compensation Table.

(2) These amounts are included as part of the compensation shown for the Named Executive Officer in the All Other Compensation column for fiscal 2008 in the Fiscal 2008 and 2007 Summary Compensation Table and in the Company Contributions to Defined Contribution Plans column in the table in note (6) to the Fiscal 2008 and 2007 Summary Compensation Table.

(3) Gains and losses accrue at rates equal to those on various investment alternatives selected by the participant. The available investment alternatives are the same as are available for selection by participants as

investments under the Mosaic Investment Plan. Because the rate of return is based on actual investment measures, no above-market earnings are paid. Accordingly, the amounts in this column were not included in the Fiscal 2008 and 2007 Summary Compensation Table on page 39.

(4) The table below sets forth the amounts of executive and registrant contributions reported for the Named Executive Officers in the Summary Compensation Tables in our proxy statement for any prior year:

Name	Contributions ($)
James T. Prokopanko	31,239
Lawrence W. Stranghoener	44,250
Steven L. Pinney	37,317
Richard L. Mack	290,075

Potential Payments upon Termination or Change in Control

As discussed under Compensation Components and Process Severance and Change in Control Arrangements in our Compensation Discussion and Analysis on page 35, we have senior management severance and change in control agreements with our executive officers, including the Named Executive Officers.

The severance and change in control agreements set forth the terms and conditions upon which our executive officers would be entitled to receive certain benefits upon termination of their employment:

- by us with cause (as the term cause is described below);
- by us without cause;
- by the covered executive for good reason (as the term good reason is described below);
- due to the covered executive s death or disability; or
- by the covered executive without good reason.

General Benefits

In general, upon any termination of employment an executive officer is entitled to amounts earned but that we have not paid. These amounts include:

- base salary for services through the date of termination;
- bonus amounts earned through the date of termination;
- vested stock options;

compensation deferred by the executive officer and earnings on that deferred compensation;

benefits under defined benefit retirement plans as described above under Pension Benefits on page 47; and

vested benefits under defined contribution retirement plans as described in note (6)(b) to the Fiscal 2008 and 2007 Summary Compensation Table and in the Fiscal 2008 Non-Qualified Deferred Compensation Table and accompanying narrative and notes.

Benefits upon Termination by Company without Cause or by Executive for Good Reason

In addition, in the event of termination by us without cause or by an executive officer for good reason, the executive officer is entitled to:

an amount equal to the executive officer s annual base salary and target bonus under our Management Incentive Plan;

Table of Contents

- if the executive officer was employed by us for three months or more during the fiscal year in which the termination occurs, a pro rata portion of any annual bonus that would have been payable based on actual performance under our Management Incentive Plan;

- if the executive officer elects to continue group health or dental coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), reimbursement for a portion of the premiums equal to the amount we would pay if the executive officer were an active employee, for up to twelve months as long as coverage under COBRA is available;

- compensation for unused vacation; and

- outplacement services for up to one year (to a maximum of $25,000).

These amounts would be reduced by the amount of other compensation the executive officer receives from us as an employee, independent contractor or consultant during the twelve months following termination of employment, as well as by any compensation under any other severance plan of ours.

Benefits Following Change in Control

In the event of termination by us without cause or by an executive officer for good reason:

- within two years following a change in control (as the term change in control is described below); or

- following our entry into a definitive agreement or plan that results in any of the following types of changes in control if the change in control occurs within six months after the date of termination:

  - an acquisition of 50% or more of the voting power of our outstanding voting stock;

  - a merger, consolidation, sale of substantially all assets or similar business combination; or

  - liquidation or dissolution of The Mosaic Company,

then the executive officer is entitled to the same benefits as discussed under *Benefits upon Termination by Company without Cause or by Executive for Good Reason,* except that:

- our CEO would be entitled to three times, and other executive officers would be entitled to two times, annual base salary and target bonus under our Management Incentive Plan; and

- the period for which we would reimburse the executive officer for group health and dental premiums would be extended from twelve months to eighteen months.

In addition, the severance and change in control agreements provide for us to gross-up the benefits payable to any executive officer following a change in control in the event of any excise tax imposed by Section 4999 of the Internal Revenue Code on parachute payments as defined in Section 280G of the Internal Revenue Code (subject to a *de minimis* threshold below which the benefits payable to the participant would be reduced to a level necessary to avoid the excise tax).

The severance and change in control agreements also provide that all stock options, restricted stock units and other equity awards granted under our Omnibus Incentive Plan to the executive officer will immediately vest upon a change in control.

Description of Key Terms

For purposes of the severance and change in control agreements, in general:

- Cause means:

  - material breach of the severance agreement;

  - gross neglect or willful failure or refusal to perform the executive officer s duties;

Table of Contents

- personal dishonesty intended to result in substantial personal enrichment at our expense;
- willful or intentional acts to injure The Mosaic Company;
- knowing and intentional fraud again us, our customers, suppliers, clients, agents or employees; or
- conviction of a felony or any crime involving fraud, dishonesty or moral turpitude.

Good reason means:

- material demotion in status or duties; or
- requiring the executive officer to move his or her regular office location by more than 50 miles.

A change in control occurs if:

- Cargill does not retain beneficial ownership of at least 50% of the voting power of our outstanding voting stock and one of the following events also occurs:
  - a majority of our directors are not individuals:
    - for whose election proxies were solicited by our Board; or
    - who were appointed by our Board to fill vacancies caused by death, resignations or newly-created directorships;
  - 50% or more of the voting power of our outstanding voting stock is acquired or beneficially owned by any person, entity or group that is unaffiliated with Cargill; or
  - consummation of a merger or consolidation of The Mosaic Company with or into another entity, a sale of substantially all assets or similar business combination, unless both:
    - the beneficial owners of our voting stock before the business combination own more than 50% of the voting stock of the surviving or acquiring entity in substantially the same proportions as before the business combination; and
    - no person, entity or group that is unaffiliated with Cargill owns more than 50% of the voting stock of the surviving or acquiring entity;

Cargill acquires additional shares of our voting stock such that it owns 90% or more of the voting power of our outstanding voting stock; or

our stockholders approve a definitive agreement or plan to liquidate or dissolve The Mosaic Company.

Obligations of our Executive Officers

The severance and change in control agreements require our executive officers to:

furnish notice of good reason for termination by the executive officer and an opportunity for us to cure the good reason within 30 days, and continue to perform the executive officer s duties during the cure period;

furnish at least 30 days advance notice of a termination of employment without good reason and continue to perform the executive officer s duties during the notice period;

furnish us with a general release of claims the executive officer may have against us in order to obtain benefits as a result of termination by us without cause or by the executive officer with good reason; and

cooperate with the transition of the executive officer s duties and responsibilities.

The severance and change in control agreements prohibit the executive officers from:

disclosing confidential information; and

Table of Contents

for a period of 12 months following termination of employment;

- soliciting our customers, dealers, employees, vendors and suppliers, or interfering with our business relationships; or

- competing with us.

Duration of Severance and Change in Control Agreements

A severance and change in control agreement has a three-year term unless renewed by us and the executive officer, except that following a change in control the term will extend to at least the second anniversary of the change in control.

Stockholders who are interested in additional detail may refer to the complete text of the severance and change in control agreements, copies of which we included as exhibits to our Annual Report on Form 10-K for the fiscal year ended May 31, 2008.

Acceleration of Stock Options and Restricted Stock Units upon Change in Control

In addition to the provisions of the severance and change in control agreements described above, outstanding stock options and restricted stock units granted beginning in fiscal 2006 include contractual provisions for acceleration of vesting upon a change in control, as defined in the contractual provisions. A change in control under these contractual provisions would generally be a change in control under the provisions of the severance and change in control agreements. The contractual provisions in our stock options and restricted stock units remain in place until expiration or vesting of the stock options or restricted stock units.

Stockholders who are interested in additional detail may refer to the complete text of the forms used for grants of stock options and restricted stock units, copies of which we included as exhibits to our Annual Report on Form 10-K for the fiscal year ended May 31, 2008.

Potential Acceleration of Payment of Non-Qualified Deferred Compensation

Our non-qualified deferred compensation plan in the U.S. provides that our Board, as constituted immediately before a change in control (as defined in the plan), may elect to terminate the plan. A termination would result in lump-sum payments to participants of their account balances under the plan.

Stockholders who are interested in additional detail may refer to the complete text of the plan, a copy of which we included as an exhibit to our Annual Report on Form 10-K for the fiscal year ended May 31, 2008.

Quantification of Compensation Payable as a Result of Severance or Change in Control

The table below sets forth estimated potential incremental amounts payable to each Named Executive Officer pursuant to our severance and change in control agreements. We relied on the following key assumptions in determining the amounts in the table, as well as the other assumptions discussed in the accompanying notes:

- the severance or change in control was effective as of May 31, 2008;

- base salary and target bonus under our Management Incentive Plan were those in effect at May 31, 2008;

the pro rata portion of the annual bonus that would have been payable as of the date of severance was equal to the actual bonus under our Management Incentive Plan for fiscal 2008;

reimbursement for health and dental premiums would be at the COBRA rates in effect at May 31, 2008 (or, in the case of Mr. Beug, the level of his Canadian benefits in effect at May 31, 2008);

Table of Contents

- unused vacation was the amount at May 31, 2008;
- the maximum $25,000 amount of outplacement services is used;
- we did not pay the executive officer any other compensation as an employee, independent contractor or consultant during the twelve months following termination of employment;
- the executive officer s W-2 compensation for the five calendar years before the severance or change in control was the same as for calendar 2003 through 2007; and
- there are no relevant changes in tax laws from those in effect as of May 31, 2008.

Any change in these assumptions would change the amounts shown in the table, and the change could be material. The actual amounts that would be paid to a Named Executive Officer can only be determined at the time of the severance or change in control and/or termination of employment and can be expected to be different from the amounts shown in the table below. The table below does not include compensation that is accrued or vested prior to severance or a change in control.

Table of Contents

Severance and Change in Control Compensation Table

Name and Benefits	Termination Before Change in Control without Cause or for Good Reason ($)	Change in Control Compensation Compensation due to Change in Control without Termination ($) (1)	Change in Control Additional Compensation due to Termination After Change in Control without Cause or for Good Reason ($) (2)	Total Compensation due to Termination After Change in Control without Cause or for Good Reason ($) (3)
James T. Prokopanko				
Cash Severance(4)	3,612,500		7,012,500	7,012,500
Stock Options		24,165,531		24,165,531
Restricted Stock Units		16,806,540		16,806,540
Group Health and Dental Reimbursement(5)	16,942		25,413	25,413
Compensation for Unused Vacation	29,423		29,423	29,423
Outplacement Services	25,000		25,000	25,000
Tax Gross-Up(6)		2,397,663	3,546,168	5,943,831
Total Estimated Incremental Value	3,683,865	43,369,734	10,638,504	54,008,238
Lawrence W. Stranghoener				
Cash Severance(4)	1,787,500		2,697,500	2,697,500
Stock Options		8,975,407		8,975,407
Restricted Stock Units		14,113,538		14,113,538
Group Health and Dental Reimbursement(5)	16,942		25,413	25,413
Compensation for Unused Vacation	18,000		18,000	18,000
Outplacement Services	25,000		25,000	25,000
Tax Gross-Up(6)			1,841,773	1,841,773
Total Estimated Incremental Value	1,847,442	23,088,945	4,607,686	27,696,631
Steven L. Pinney				
Cash Severance(4)	1,182,750		1,809,750	1,809,750
Stock Options		6,165,231		6,165,231
Restricted Stock Units		7,057,897		7,057,897
Group Health and Dental Reimbursement(5)	16,942		25,413	25,413
Compensation for Unused Vacation	7,308		7,308	7,308
Outplacement Services	25,000		25,000	25,000
Tax Gross-Up(6)			1,283,515	1,283,515
Total Estimated Incremental Value	1,232,000	13,223,128	3,150,986	16,374,114
Richard L. Mack				
Cash Severance(4)	1,245,000		1,905,000	1,905,000
Stock Options		6,788,108		6,788,108
Restricted Stock Units		7,436,990		7,436,990
Group Health and Dental Reimbursement(5)	16,942		25,413	25,413
Compensation for Unused Vacation	30,769		30,769	30,769
Outplacement Services	25,000		25,000	25,000
Tax Gross-Up(6)		511,308	993,091	1,504,399
Total Estimated Incremental Value	1,317,711	14,736,406	2,979,273	17,715,679
Norman B. Beug				
Cash Severance(4)	1,192,909		1,827,374	1,827,374
Stock Options		5,831,202		5,831,202
Restricted Stock Units		5,628,748		5,628,748
Group Health and Dental Reimbursement(5)	2,289		3,434	3,434
Compensation for Unused Vacation	87,763		87,763	87,763
Outplacement Services	25,000		25,000	25,000

Total Estimated Incremental Value	1,307,961	11,459,950	1,943,571	13,403,521

57

(1) Shows the pre-tax amounts that the Named Executive Officers would realize if they had sold on May 30, 2008 at a price of $125.32, the closing price of our common stock on May 30, 2008, shares of our common stock that:

- they could acquire pursuant to stock options for which we would accelerate vesting upon a change in control pursuant to the terms of the severance and change in control agreements; and

- we would issue to the executive officers upon a change in control pursuant to the vesting of restricted stock units.

These amounts reflect an estimate of the compensation to the executive officers upon a change in control without termination of the executive officer s employment.

(2) Excludes the amounts in the Compensation due to Change in Control without Termination column and reflects the estimated amounts, in addition to those shown in the Compensation due to Change in Control without Termination column, of compensation to the executive officers upon termination of employment following a change in control.

(3) Shows the sum of the amounts in the Compensation due to Change in Control Column without Termination and the Additional Compensation due to Termination After Change in Control without Cause or for Good Reason column, and reflects the estimated aggregate amounts of compensation to the executive officers upon termination of employment following the occurrence of an event that is a change in control.

(4) Reflects base salary and target bonus under our Management Incentive Plan, or following a Change in Control, three times (for Mr. Prokopanko) and two times (for other executive officers) base salary and target bonus, plus, for an executive officer employed by us for three months or more during the fiscal year in which termination occurs, a pro rata portion of the annual bonus that would have been payable under the Management Incentive Plan.

(5) Reflects the estimated amount that we would reimburse the executive officer if the executive officer elected to continue group health or dental coverage under COBRA (or, in the case of Mr. Beug, the level of his Canadian benefits in effect at May 31, 2008) for the maximum of eighteen months following a change in control and twelve months in all other cases provided under the severance and change in control agreements.

(6) The excise tax imposed by the Internal Revenue Code on excess parachute payments is 20%. This excise tax, together with any corresponding tax gross-up, applies only if the total value of change in control payments calculated under Section 280G of the Internal Revenue Code equals or exceeds three times the average annual compensation attributable to the executive officer s employment with us and Cargill over the prior five-year period. As a result, the gross-up amounts shown reflect each executive officer s unique earnings history and can vary significantly from year to year.

Director Compensation

Non-Employee Directors

The policy adopted by our Board of Directors, as recommended by our Corporate Governance and Nominating Committee, effective December 14, 2007, provides for cash compensation to non-employee directors as follows:

- an annual cash retainer of $170,000 to our Chairman of the Board and $85,000 to each other director;

- an annual cash retainer of $20,000 to the Chairman of our Audit Committee and $10,000 to other members of this Committee;

- an annual cash retainer of $15,000 to the Chairman of our Compensation Committee and $5,000 to other members of this Committee; and an annual cash retainer of $10,000 to each director who serves as chair of our Corporate Governance and Nominating Committee, Environmental, Health and Safety Committee and Special Transactions Committee.

Table of Contents

Prior to December 14, 2007, the policy adopted by our Board of Directors, as recommended by our Corporate Governance and Nominating Committee provided for cash compensation to non-employee directors as follows:

- an annual cash retainer of $150,000 to our Chairman of the Board and $75,000 to each other director;
- an annual cash retainer of $20,000 to the Chairman of our Audit Committee and $5,000 to other members of this Committee;
- an annual cash retainer of $15,000 to the Chairman of our Compensation Committee; and
- an annual cash retainer of $10,000 to each director who serves as chair of other Board committees (other than the Executive Committee).

In addition, the policy in effect during fiscal 2008 provided for an annual grant of restricted stock units providing grants of our common stock, valued at $130,000 to the Chairman of our Board and $65,000 to each other director. Effective for fiscal 2009, the Board increased the amounts at which the awards are valued to $170,000 for our Chairman of the Board and $85,000 for each other director. Additional information about our annual grants of restricted stock units to directors is included in note (4) to the Fiscal 2008 Non-Employee Director Compensation Table below.

We do not pay meeting fees or provide any perquisites to our directors. We do reimburse our directors for travel and business expenses incurred in connection with meeting attendance.

Employee Directors

Directors who are employees receive no director fees or other separate compensation for service on the Board or any committee of the Board for the period during which they are employees. During fiscal 2008, James T. Prokopanko, our current Chief Executive Officer and President, was both an employee and a director. All of our compensation to Mr. Prokopanko for fiscal 2008 is set forth under Executive Compensation Tables beginning on page 39.

The following table and accompanying narrative and notes provide information about our compensation for service during fiscal 2008 by directors who were not employees at any time during the fiscal year.

Fiscal 2008 Non-Employee Director Compensation Table

Name	Fees Earned or Paid in Cash ($) (1)(2)	Stock Awards ($) (3)(4)(5)	Option Awards ($) (6)	All Other Compensation ($)	Total ($)
Guillaume Bastiaens	91,965	145,283			237,248
Raymond F. Bentele	92,075	145,283			237,358
Phyllis E. Cochran	89,286	115,570			204,856
Fredric W. Corrigan(7)	7,005	122,785		685,000	814,790
Richard D. Frasch	54,094	43,340			97,434
William R. Graber	94,533	145,283			239,816
Robert L. Lumpkins	159,286	290,566			449,852

Harold H. MacKay	99,643	145,283	244,926
David B. Mathis	89,286	145,283	234,569
Bernard M. Michel (8)	15,285	76,941	92,226
William T. Monahan	101,964	145,283	247,247
James L. Popowich	42,143	16,267	58,410
Steven M. Seibert	79,643	145,283	224,926

(1) Reflects the aggregate amount of the cash retainers paid for fiscal 2008.

(2) Our unfunded non-qualified deferred compensation plan permits a director to elect to contribute up to 100% of the director s fees on a tax-deferred basis until distribution of the participant s plan balance. Directors fees deferred for fiscal 2008 are included in the amounts shown in this column. A participant s balance accrues gains or losses at rates equal to those on various investment alternatives selected by the participant. The available investment alternatives are the same as are available for selection by participants as investments under the Mosaic Investment Plan, except that our common stock is excluded. Because the rate of return is based on actual investment measures, no above-market earnings are paid.

Our non-qualified deferred compensation plan provides that our Board, as constituted immediately before a change in control (as defined in the plan), may elect to terminate the non-qualified deferred compensation plan. A termination would result in lump-sum payments to participants of their account balances under the plan.

Stockholders who are interested in additional detail may refer to the complete text of the plan, a copy of which we included as an exhibit to our Annual Report on Form 10-K for the fiscal year ended May 31, 2008.

(3) Reflects the compensation cost recognized in our financial statements for fiscal 2008 for restricted stock units granted to directors, determined in accordance with FAS 123R except that, in accordance with SEC rules, the amounts shown disregard the estimate of forfeitures related to service-based vesting conditions prescribed by FAS 123R. This compensation cost includes amounts determined in accordance with FAS 123R for grants made in prior fiscal years as well as for the most recent fiscal year. For years prior to fiscal 2008, we accrued the grant date fair value of these awards over the three year period after which the awards vest completely. For fiscal 2008, in light of our actual historical experience with director resignations and retirements, we accrued the entire grant date fair value of the awards for fiscal 2008 during the period from the date of grant through the subsequent annual meeting of stockholders, after which the awards will only be forfeited if the director is removed for cause, and we also accrued the entire remaining grant date fair value of the awards for prior fiscal years. As a result, the compensation cost shown for fiscal 2008 is significantly greater than the value of the awards to the directors for fiscal 2008.

The grant date fair value of fiscal 2008 awards, determined in accordance with FAS 123R, was $130,017 for Mr. Lumpkins, $65,011 for Mr. Frasch, $32,533 for Mr. Popowich and $65,009 for each other director included in the table other than Mr. Michel. Mr. Michel's fiscal 2008 award was forfeited upon his resignation as a director on August 14, 2007 and we did not accrue any amount in our financial statements for his fiscal 2008 grant.

The assumptions used in our valuation of these awards are discussed in note 19 to our audited financial statements for fiscal 2008.

(4) The date of our annual grant of restricted stock units to non-employee directors in fiscal 2008 was August 2, 2007. The date of this annual grant to directors was the same as the date of the annual grant of restricted stock units to employees, which was the third trading day after issuance of our press release announcing earnings for our fourth fiscal quarter.

Mr. Frasch was elected at the annual meeting of stockholders on October 4, 2007. Accordingly, the date of grant to him of restricted stock units for his service as a director during fiscal 2008 was October 12, 2007, the third trading day after issuance of our press release announcing earnings for the first quarter of fiscal 2008.

Mr. Popowich was appointed as a director on December 14, 2007. Accordingly, the date of grant to him of restricted stock units for his service as a director during fiscal 2008 was January 14, 2008, the third trading day after issuance of our press release announcing earnings for the second quarter of fiscal 2008.

We establish the number of shares subject to the grant of restricted stock units by dividing the target value of the grant by the closing price of a share of our common stock on the date of grant.

Table of Contents

The restricted stock units granted in fiscal 2008 to Mr. Corrigan vested upon his retirement as a director at the 2007 annual meeting of stockholders. The restricted stock units granted in fiscal 2008 to Mr. Michel were forfeited upon his resignation as a director on August 14, 2007. The restricted stock units granted in fiscal 2008 to other non-employee directors will vest completely on the earlier of (a) October 12, 2010 in the case of the grant to Mr. Frasch, January 14, 2011 in the case of the grant to Mr. Popowich and August 2, 2010 in the case of the grants to other directors, or (b) subject to the approval of the Board in its sole discretion, a director s departure from the Board for reasons other than removal for cause or before the annual meeting of stockholders following the date of grant.

(5) The following table shows the number of restricted stock units held at May 31, 2008 by each director who was not an employee at any time during the fiscal year:

Director	Restricted Stock Units Held at May 31, 2008 (#)	Vesting Date (a)
Robert L. Lumpkins	6,940	8/1/08
	8,414	8/4/09
	3,248	8/2/10
Each of Guillaume Bastiaens, Raymond F. Bentele, William R. Graber, Harold H. MacKay, David B. Mathis, William T. Monahan and Steven M. Seibert	3,470	8/1/08
	4,207	8/4/09
	1,624	8/2/10
Phyllis E. Cochran	3,888	10/6/09
	1,624	8/2/10
Richard D. Frasch	1,054	10/12/10
Bernard M. Michel	4.418	12/6/08
	4,207	8/4/09
James L. Popowich	297	1/14/11

(a) The restricted stock units vest on the earlier of (a) the date indicated in this column or (b) subject to the approval of the Board in its sole discretion, a director s departure from the Board for reasons other than removal for cause or before the annual meeting of stockholders following the date of grant.

(6) The following table shows the number of shares subject to stock options held at May 31, 2008 by each director who was not an employee at any time during the fiscal year. These options were granted by IMC to its directors prior to the business combination between IMC and the fertilizer businesses of Cargill and were assumed by us in the combination. All of these options are fully vested.

Director	Nonqualified Stock Options Vested and Exercisable at May 31, 2008 (#)	Grant Price ($)	Expiration Date
Harold H. MacKay	4,800	12.15	5/10/12
	9,150	9.75	5/16/13
	7,800	11.59	5/14/14

David B. Mathis	2,500	22.6562	4/27/09
	2,500	14.6563	4/25/10
	9,800	12.15	5/10/12
	7,800	11.59	5/14/14

(7) Mr. Corrigan retired as our President and Chief Executive Officer on January 1, 2007 and did not run for reelection to our Board at the Annual Meeting of stockholders on October 4, 2007. After Mr. Corrigan's retirement through October 4, 2007, he received the standard compensation for his service as a non-employee director.

In addition, in connection with Mr. Corrigan's retirement, we entered into a transition agreement with Mr. Corrigan. The transition agreement, among other matters, provided that during the transition period

Table of Contents

between his retirement date and our 2007 annual meeting of stockholders, he would serve as an independent contractor to us in order to assist in the transition of his duties as CEO to Mr. Prokopanko, for which we would pay him consultant fees at the rate of $60,000 per month and (subject to performance of his consulting duties in accordance with the terms of his transition agreement) a bonus of $962,500. Stockholders who are interested in additional detail may refer to our Compensation Discussion and Analysis and Executive Compensation Tables in our proxy statement for our 2007 annual meeting of stockholders as well as the complete text of the transition agreement, a copy of which we included as an exhibit to our Annual Report on Form 10-K for the fiscal year ended May 31, 2008.

The table above includes Mr. Corrigan's compensation for fiscal 2008:

for his service as a non-employee director; and

in the All Other Compensation column, for his service as an independent contractor pursuant to the transition agreement, including consulting fees of $300,000 and a pro rata portion ($385,000) of the consulting bonus he received for performance of his consulting duties.

(8) Mr. Michel resigned as a director effective August 14, 2007.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We were formed on October 22, 2004 through the business combination of IMC Global Inc., or IMC, and the fertilizer businesses of Cargill. Cargill owned approximately 64.3% of our outstanding common stock as of August 11, 2008. In addition, Mr. Bastiaens is a Vice Chairman of Cargill, and Mr. Frasch is an executive of Cargill, and in certain cases they may participate in or supervise the transactions discussed below on behalf of Cargill. Mr. Lumpkins is a former Vice Chairman and Chief Financial Officer of Cargill. Prior to joining us as Executive Vice President and Chief Operating Officer in July 2006, Mr. Prokopanko was a Corporate Vice President of Cargill. In their prior roles on behalf of Cargill, Mr. Lumpkins or Mr. Prokopanko may have participated in or supervised one or more of the transactions discussed below on behalf of Cargill.

We discuss our material relationships with Cargill in the following paragraphs.

Investor Rights Agreement

We have an Investor Rights Agreement with Cargill. The Investor Rights Agreement includes certain agreements regarding the composition of our Board and its committees. We have included a discussion of those portions of the Investor Rights Agreement under Nomination and Selection of Directors. In addition, under the Investor Rights Agreement, through October 22, 2008, Cargill has agreed not to:

- acquire any shares of our common stock;
- support or participate in a proxy contest or otherwise solicit proxies in opposition to proposals or matters proposed, recommended or supported by our Board;
- participate in any election contest with respect to us;
- solicit our other stockholders for the approval of one or more stockholder proposals with respect to us;
- form or participate in a group (within the meaning of the Securities Exchange Act of 1934) of persons acquiring, holding, voting or disposing of our voting securities which would be required to file a statement on Schedule 13D with the SEC under Section 13(d) of the Securities Exchange Act of 1934;
- make any statement or proposal to our Board or any of our directors, officers or stockholders, or make any proposal or public announcement regarding, among other things, any form of business combination, merger, restructuring, recapitalization or acquisition or sale of material assets involving us (other than discussion with our Board and any of our directors or officers which do not require us to make any public announcement or filing under the Securities Exchange Act of 1934);
- seek removal of the members of our Board who were designated by IMC or their duly elected replacements as described under Nomination and Selection of Directors, who we refer to as the IMC Directors;
- seek to increase the number of our directors above twelve, absent the consent of a majority of the IMC Directors;
- seek to increase the number of our directors designated by Cargill above seven, absent the consent of a majority of the IMC Directors; or

call or seek to call any meeting of our stockholders.

In addition, through October 22, 2008, Cargill has agreed to vote all of our voting securities held by it in accordance with the recommendation of our Board with respect to all matters submitted to the vote of our stockholders which have been proposed by any stockholder and which:

affect or regard the compensation or benefits of our directors, officers or employees; or

relate to matters concerning our continued publicly traded nature or any potential change in control of us, except that Cargill may vote its voting securities in us as it determines in its discretion with respect to the following if presented at a meeting of stockholders:

- any disposition by us of a substantial part of our assets;
- any recapitalization of us other than to form a holding company or to effect a change in our state of incorporation;
- any liquidation of, or consolidation involving, us;
- subject to Cargill s other obligations under the Investor Rights Agreement, any increase in our authorized shares or other amendment to our certificate of incorporation or bylaws; or
- any other transaction that could reasonably be expected to have a material effect on Cargill s investment in us.

Registration Rights Agreement

In connection with the combination between IMC and the fertilizer businesses of Cargill, we and Cargill entered into a registration rights agreement.

Pursuant to the registration rights agreement, Cargill has the right to request that we file a registration statement with the SEC for an offering of Cargill s shares of our common stock. We are required to use commercially reasonable efforts to cause any such demand registration statement to become effective under the Securities Act of 1933. We have agreed to effect up to five demand registrations, any of which may be a shelf registration. The market value of the shares of our common stock to be included in any demand registration must be at least $10 million. We will not be obligated to effect a demand registration within 270 calendar days of the effective date of the immediately preceding demand registration.

If we propose to register any of our securities under the Securities Act of 1933, Cargill may request that we include all of its shares of our common stock in the registration.

We are required to pay all expenses of registration under the registration rights agreement, including the legal fees of one counsel for Cargill, but excluding underwriting discounts and commissions and any other legal fees of Cargill.

Reimbursement of Pre-Combination Incentive Compensation

In connection with the combination between IMC and the fertilizer businesses of Cargill, certain former Cargill employees who became our employees retained their stock options and cash performance options granted by Cargill prior to the combination pursuant to Cargill s compensation plans. Liabilities associated with these stock options and cash performance options were primarily related to the Cargill fertilizer businesses and we assumed them. Our maximum aggregate reimbursement obligation to Cargill for costs associated with pre-combination stock options and cash performance options under no circumstances can exceed $9.8 million. We have no reimbursement obligation for any pre-combination stock option or cash performance option award to any former Cargill employees who are our executive officers. During our 2008 fiscal year, we reimbursed Cargill approximately $0.9 million for costs associated with the pre-combination stock options and cash performance options.

Pension Plans and Other Benefits

Pension and other postretirement benefit liabilities for certain former employees of Cargill s fertilizer businesses were not transferred to us in the combination between IMC and the fertilizer businesses of Cargill. These former Cargill employees remain eligible for pension and other postretirement benefits under Cargill s plans. Cargill incurs the associated costs and charges them to us. The amount that Cargill may charge us for these pension costs may not exceed $2.0 million per year and is capped at $19.2 million in the aggregate. This cap does not apply to the costs associated with certain active union participants who continue to earn service credit under Cargill s pension plan.

64

Table of Contents

Special Transactions Committee and Transactions with Cargill

The Investor Rights Agreement includes special approval requirements for commercial and other transactions, arrangements or agreements between Cargill and us. These provisions require the approval of the transactions, arrangements or agreements by a majority of the IMC Directors who are deemed non-associated, or independent, unless the transactions, arrangements or agreements are exempt as described below. These independent former IMC directors comprise the Special Transactions Committee of our Board. Our Board has adopted a charter for the Special Transactions Committee which provides that the Special Transactions Committee will oversee transactions involving Cargill with the objective that they be fair and reasonable to us. Pursuant to its charter, the Special Transactions Committee may delegate all or a portion of its duties relating to the review and approval of proposed transactions to a committee of senior management, a subcommittee of the Special Transactions Committee or the Chairman of the Special Transactions Committee. The Special Transactions Committee has approved a policy which we have implemented and refer to as the Guidelines for Related Party Transactions with Cargill, Incorporated . Under these guidelines, the Special Transactions Committee has delegated approval authority for certain transactions with Cargill to an internal committee comprised of our senior managers. The internal management committee is required to report its activities to the Special Transactions Committee on a periodic basis.

Pursuant to the guidelines, both the Special Transactions Committee and our internal management committee must approve the following transactions, arrangements or agreements with Cargill:

- agreements or relationships which require payment by us or Cargill of $2.0 million or more to the other party during any fiscal year;
- multi-year commitments (*i.e.*, contracts with terms of greater than one year);
- evergreen contracts (*i.e.*, contracts with annual renewal clauses or no stated contract term);
- renewals of commercial agreements previously requiring Special Transactions Committee approval; and
- licenses or other arrangements involving any of our material intellectual property.

The review and approval of proposed transactions, arrangements or agreements which do not meet any of the criteria set forth above have been delegated by the Special Transactions Committee to our internal management committee.

Since the beginning of our 2008 fiscal year, we engaged in various transactions, arrangements or agreements with Cargill which are described below. The Special Transactions Committee or our internal management committee have either approved or ratified these transactions, arrangements or agreements.

We negotiated each of the following transactions, arrangements and agreements with Cargill on the basis of what we believe to be competitive market practices.

Master Transition Services Agreement and Amendment; Master Services Agreement

In connection with the combination between IMC and the fertilizer businesses of Cargill, we and Cargill entered into a master transition services agreement. Pursuant to the master transition services agreement, Cargill agreed to provide us with various transition-related services pursuant to individual work orders negotiated with us. We have entered into individual work orders for services in various countries, including Argentina, Australia, Brazil, Canada, Chile, China, Hong Kong, India, Mexico, Thailand, the United States and Vietnam. Each of these work orders has been approved by the Special Transactions Committee or our internal management committee. Generally speaking, each work order is related to services provided by Cargill for its fertilizer businesses prior to the combination which were continued for our benefit post-combination. Services provided by Cargill include, but are not limited to, accounting, accounts payable and receivable processing, certain financial reporting, financial service center, graphics, human resources, information technology, insurance, legal, license and tonnage

reporting, mail services, maintenance, marketing, office services, procurement, public relations, records, strategy and business development, tax, travel services and expense reporting, treasury, and other administrative and functional related services. The services performed may be modified by our mutual agreement with Cargill. The initial master transition services agreement with Cargill expired in October 2005 and was renewed through October 2006. In October 2006 Cargill agreed to continue to provide certain services to us and the parties entered into a master services agreement on terms similar to the master transition services agreement. We have renewed several work orders under which Cargill had been performing services on a transitional basis. Each of these work orders has been approved by the Special Transactions Committee or by our internal management committee. We believe that the fees we pay for these services are comparable to those that we would pay if we performed them or had them performed by unaffiliated third parties. We paid Cargill approximately $13.1 million for the global services provided by Cargill under the master transition services agreement and the master services agreement in fiscal 2008.

Fertilizer Supply Agreement (U.S.)

We sell fertilizer products to Cargill s AgHorizons business unit which it resells through its retail fertilizer stores in the U.S. Under a fertilizer supply agreement, we sell nitrogen, phosphate and potash products at prices set forth in price lists that we issue from time to time to our customers. In addition, we may sell to Cargill certain products produced by third parties. We have also agreed to make available to Cargill AgHorizons on regular commercial terms, new fertilizer products and agronomic services that are developed. Cargill AgHorizons is not obligated to purchase any minimum volume of fertilizer products and we are under no obligation to supply such products unless the parties agree to specific volumes and prices on a transaction-by-transaction basis. Our supply agreement is in effect until terminated by either party on three months written notice. We sold approximately $13.7 million of fertilizer products to Cargill AgHorizons in fiscal 2008.

Fertilizer Supply Agreement (Canada)

We sell fertilizer products produced to a Canadian subsidiary of Cargill. Cargill purchases the substantial majority of its Canadian fertilizer requirements from us for its retail fertilizer stores in Western Canada. The agreement provides that we will sell nitrogen, phosphate and potash products at prices set forth in price lists we issue from time to time to our customers. In addition, we may sell Cargill certain products produced by third parties for a per tonne sourcing fee. In exchange for Cargill s commitment to purchase the substantial majority of its fertilizer needs from us and because it is one of our largest customers in Canada, we have also agreed to make new fertilizer products and agronomic services, to the extent marketed by us, available to Cargill on regular commercial terms. We have also granted Cargill price protection against sales made to other retailers for equivalent products or services at lesser prices or rates. In addition, because of the volume of purchases by Cargill, we have agreed to pay a per tonne rebate at the end of each contract year if annual purchase volumes exceed certain thresholds. This agreement is in effect until June 30, 2010. We sold approximately $112.3 million of fertilizer products to Cargill under this supply agreement in fiscal 2008.

Phosphate Supply Agreement

We have a supply agreement with Cargill s subsidiary in Argentina for phosphate-based fertilizers. Cargill has no obligation to purchase any minimum quantities of fertilizer products from us and we have no obligation to supply any minimum quantities of products to Cargill. This agreement has been renewed through May 31, 2009. We sold approximately $37.7 million of fertilizer products to Cargill under this supply agreement in fiscal 2008.

Spot Fertilizer Sales

From time to time, we make spot fertilizer sales to Cargill s subsidiary in Paraguay. Pricing for fertilizer sales under this relationship is by mutual agreement of the parties at the time of sale. We are under no obligation to sell fertilizer to Cargill under this relationship. This agreement is in effect until December 22, 2008. Cargill purchased approximately $34.5 million of fertilizer products from us in fiscal 2008.

Table of Contents

Agreement for Supply of Untreated Granular White Potassium Chloride

We have an agreement to sell untreated white muriate of potash to Cargill s salt business in the United States. Under this arrangement, which expires in December 2008, white muriate of potash is sold at fixed prices and delivered to various Cargill facilities, with freight adjustments to occur after July 1, 2007 for the remaining term of the agreement. We sold approximately $6.3 million of potash to Cargill under this agreement in fiscal 2008.

Feed Supply Agreements and Renewals

We have various agreements relating to the supply of feed grade phosphate, potash and urea products to Cargill s animal nutrition, grain and oilseeds, and poultry businesses. The sales are generally on a spot basis in Brazil, Canada, Indonesia, Malaysia, Mexico, Philippines, Taiwan, Thailand, United Kingdom, United States, Vietnam, and Venezuela. Cargill has no obligation to purchase any minimum of feed grade products from us and we have no obligation to supply any minimum amount of feed grade products to Cargill. Sales are negotiated by the parties at the time of purchase. These supply agreements are in effect until May 31, 2009. We sold approximately $35.0 million of feed grade products to Cargill under these agreements in fiscal 2008.

Fertilizer Agency Agreement

We have retained Cargill s subsidiary in Canada to perform marketing services for us relating to the sale of our fertilizer products to independent dealers in Western Canada, including the provinces of Manitoba, Saskatchewan, Alberta and British Columbia. Cargill has also assumed the accounts receivable credit risk in the event of nonpayment by our customers. We are responsible for establishing the prices and other terms upon which Cargill will solicit orders for our fertilizer products. We pay Cargill a per tonne marketing fee based on the estimated cost of marketing fertilizer in Western Canada if we did so with an internal sales force. This agreement is in effect until June 30, 2010. We paid Cargill approximately $2.7 million for marketing services under this agreement in fiscal 2008.

Ocean Transportation Agreement

We have a non-exclusive agreement with Cargill s Ocean Transportation Division to perform various freight related services for us. Freight services include, but are not limited to: (i) vessel and owner screening, (ii) freight rate quotes in specified routes and at specified times, (iii) advice on market opportunities and freight strategies for the shipment of our fertilizer products to international locations, and (iv) the execution of various operational tasks associated with the international shipment of our products. We pay a fee (1) in the case of voyage charters, an address commission calculated as a percentage of the voyage freight value, (2) in the case of time charters, an address commission calculated as a percentage of the time-charter hire, and (3) in the case of forward freight agreements, a commission calculated as a percentage of the forward freight agreement notional value. Our agreement provides that the parties may renegotiate fees during its term, and the agreement is in effect until either party terminates it by providing 60 days prior written notice to the other party. We paid Cargill approximately $170.4 million (inclusive of fees and freight paid to Cargill, which is responsible for payment to vessel owners and charterers) for freight and related services under this agreement in fiscal 2008.

Barge Freight Sales Agreement

We have an agreement with Cargill under which we purchase northbound and southbound barge freight for the transport of our nitrogen, phosphate and potash fertilizer products in the United States. We have agreed to purchase a specified number of barge loadings per contract year, which we estimate to be approximately 25% of our annual barge freight purchases. Cargill has agreed to provide suitable covered hopper barges with towing power as required. The agreement includes standard barge freight terms such as destination restrictions, surcharge adjustments, tonnage minimums, free time, demurrage, barge cleaning and other terms. We and Cargill have agreed on barge freight rates calculated on a per tonne basis which are dependent upon the origin and destination of our shipments. This agreement is in effect until July, 2009. We paid approximately $7.6 million to Cargill for barge freight and related services under this agreement in fiscal 2008.

Table of Contents

Services Agreements for Logistics and General Services

Our Argentine subsidiary has entered into services agreements with Cargill s Argentine subsidiary, which originates fertilizer and sells crop nutrients to farmers from its country stations in Argentina. Under the terms of the services agreement, we supply services related to fertilizer origination, administration, storage and dispatch. This agreement is in effect until May 31, 2009, unless terminated earlier by the parties and will automatically renew for an additional two-year term unless terminated by either party at least 90 days prior to the expiration of the original term. We have also agreed to make available to Cargill 50,000 tonnes of storage space per month as well as to a daily dispatch of 30 trucks for fertilizer shipments. Fees are paid by Cargill based upon a fee schedule for each service we perform. Cargill paid approximately $3.2 million to us for these services in fiscal 2008.

In addition, we have entered into an agreement to provide services to Cargill s Argentine subsidiary relating to the purchase, import, storage, transportation, distribution, marketing and sale of fertilizers and/or petrochemicals. To leverage our fertilizer infrastructure and expertise, we have agreed to perform certain purchasing and forwarding management services, and have also agreed to provide counseling in the administration and handling of fertilizer stocks, equipment maintenance, general and special technical agronomic matters, research and development, commercial management and personnel training. This agreement is in effect until May 31, 2009. Fees are pursuant to a price list agreed to by the parties. Cargill paid approximately $6.6 million to us for services pursuant to these agreements in fiscal 2008.

Shared Services and Access Agreements

We have an agreement with Cargill relating to miscellaneous operational matters at our Houston, Texas port facility and at our Savage, Minnesota river facility, both of which are adjacent to grain, oilseed and/or salt facilities owned and operated by Cargill. The agreements address various co-location matters, including the granting of easements from one party to the other, understandings relating to shared services and the allocation or sharing of costs relating to matters such as security, vessel berthing and logistics, channel dredging, utilities, truck scales, road and rail track maintenance, as well as other repair and maintenance activities. In addition, the Houston agreement calls for us to provide loading and unloading services to Cargill at specified per tonne rates. The Savage arrangement provides that we will perform unloading services for Cargill s salt business between March and November, weather conditions permitting, and further provides that we will scale trucks loaded with salt for a negotiated fee. The agreements will be in effect as long as we and Cargill own property at the Houston and Savage facilities. Cargill paid us approximately $150,000 for services performed by us under these agreements in fiscal 2008.

Product Purchase, Storage and Handling Agreement

We retain Cargill, as owner and operator of a bulk materials handling terminal in Pipestone, Minnesota, to store various dry fertilizers and non-grain feed products, and to perform certain unloading, transfer and loading services for us. In addition, Cargill purchases a substantial amount of its phosphate requirements from us at this facility. In exchange for the storage and handling services provided by Cargill, we have agreed to pay a per short ton inbound handling fee for transfer of products into Pipestone as well as a per short ton handling fee for all wholesale short tons that pass through this facility. We estimate that 40,000 short tons of product will be put through the Pipestone facility on an annual basis. This agreement expired on May 31, 2008. We paid Cargill approximately $100,000 for storage and handling services at Pipestone and Cargill paid us approximately $3.0 million for fertilizer products purchased in fiscal 2007.

Storage and Handling Agreement

We have an agreement with Cargill s subsidiary in Canada for the exclusive storage of various Mosaic fertilizer products in Clavet, Saskatchewan. Under this arrangement Cargill also performs certain unloading, transfer and loading services for us. We guarantee a minimum 35,000 tonnes of combined throughput each year. The initial term of this agreement expired on September 30, 2007 but automatically renews for successive one year terms unless terminated by either party upon 60 days notice prior to the end of any renewal term. We paid approximately $1.2 million to Cargill for storage and handling services under this agreement in fiscal 2008.

Barter Agreements

We have a barter relationship with Cargill s grain and oilseed business in Brazil. Cargill s Brazilian subsidiary, Mosaic and Brazilian farmers may, from time to time, enter into commercial arrangements pursuant to which farmers agree to forward delivery grain contracts with Cargill, and in turn, use cash generated from the transactions to purchase fertilizer from us. Similarly, in Argentina, we enter into agreements with farmers who purchase fertilizer products from us and agree to sell their grain to us upon harvest. Upon receipt of the grain, we have agreements to sell it to Cargill s grain and oilseed business in Argentina. The number of barter transactions with Cargill s subsidiaries varies from year to year. The Brazil agreement remains in effect until either party terminates it by providing 90 days prior written notice to the other party. In Argentina, the agreement is in effect until May 31, 2009. Cargill paid us approximately $115.0 million in Brazil and $46.6 million in Argentina under these relationships in fiscal 2008.

Energy Services Consulting Agreement

We have an Energy Services Consulting Agreement with Cargill. Under the terms of this agreement, Cargill provides natural gas risk management consulting services to us in the United States. The current agreement replaced a temporary month-to-month risk management agreement between the parties. The agreement is for a one year term and automatically renews on each December 31 unless otherwise terminated by either party. We paid Cargill approximately $210,000 for risk management consulting services under this agreement in fiscal 2008.

Vegetable Oil Loadout Agreement

We have regularly provided loadout services at our Quebracho, port facility in Argentina for Cargill s grain and oilseed business in Argentina which is located adjacent to our fertilizer operations. We have a 50-year agreement under which we have agreed to continue to loadout refined vegetable oil to vessels provided by Cargill. In exchange for these loadout services Cargill paid us approximately $152,000 in fiscal 2008.

Concentrates Industrialization Contract

In Brazil, we agreed to manufacture feed products for a third party using raw materials supplied to us by Cargill. This agreement was extended by the parties until September 2008. During fiscal 2008, we purchased $60,000 of premix product from Cargill and sold the products produced to Cargill under our existing supply agreement.

Miscellaneous Co-Location Agreements

We have various office sharing and sublease arrangements with Cargill in various geographic locations, including with respect to certain offices in Argentina, China, Hong Kong and the United States.

Aircraft Time Sharing Agreement

We have a time sharing arrangement for the lease of certain aircraft operated by Cargill. Corporate aircraft are made available to us for use on an as-available basis. This agreement is in effect until terminated by either party on 90 days prior written notice. The aircraft is leased pursuant to Federal Aviation Administration regulations. We pay Cargill a fee not to exceed the actual expenses for each flight. We paid Cargill approximately $370,000 under this arrangement in fiscal 2007.

Table of Contents

Offer of Single Superphosphate

We have a supply agreement with Cargill s subsidiary in Argentina for single superphosphate. Cargill has no obligation to purchase any minimum quantities of fertilizer products from us and we have no obligation to supply any minimum quantities of products to Cargill. This agreement has been renewed through May 31, 2009. We sold approximately $6.8 million of single superphosphate to Cargill under this agreement in fiscal 2008.

Fertilizer Supply Agreement

On July 18, 2008, Phosphate Chemicals Export Association, Inc. (PhosChem), a consolidated subsidiary of ours, and of which one of our subsidiaries is a member, and Cargill S.A.C.I. entered into a supply agreement for spot sales of fertilizer products to Cargill in Argentina. The fertilizer products are sold at prices negotiated at the time of sale. This agreement expires May 31, 2009.

Trade Flow to India

PhosChem has an agreement with Cargill pursuant to which Cargill may elect to participate in PhosChem s fertilizer export sales to customers in India. Pursuant to the agreement, PhosChem receives payment for the sale to Cargill in an amount equal to the full sales price to the end customer. Cargill provides financing to various third party Indian customers or Cargill subsidiaries in India and pays PhosChem a fixed fee based on the value of each applicable transaction. Cargill bears all additional risks including incremental customs duty due to the use of the trade flow structure. PhosChem did not have sales through Cargill under this agreement in fiscal 2008 and no fees have been paid by Cargill to PhosChem. The term of this agreement expires July 21, 2009.

Industrial Potassium Chloride Supply Agreement (Canada)

Mosaic Canada Crop Nutrition, L.P. and Cargill Limited entered into a supply agreement dated June 20, 2008 for the supply of industrial fine grade potassium chloride treated with triple superphosphate. Under this agreement, Cargill Limited is permitted to purchase up to 5,000 tonnes of potassium chloride treated with triple superphosphate per year for the first two years of the agreement. Thereafter, the maximum annual volume increases to 15,000 tonnes per year. Prices will be negotiated semi-annually. This agreement is in effect for five years and expires on June 30, 2013.

Miscellaneous

There are various other agreements between us and Cargill which we believe are not material to us.

Other Agreements

We have a Program Agreement with Incentive Services, Inc. under which it is a preferred supplier for our employee service recognition programs in the United States and Canada. In addition, we have purchased miscellaneous supplies from Incentive Services that we use for business purposes. We paid Incentive Services approximately $181,000 for employee recognition awards and various supplies in fiscal 2008. A son-in-law of Fredric W. Corrigan, our former Chief Executive Officer, President and a former director, is employed by, and part owner of, Incentive Services. Incentive Services was selected by us after the review of various potential suppliers and Mr. Corrigan did not participate in our selection process.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 2008, the Compensation Committee of our Board of Directors was comprised of Ms. Cochran and Messrs. Bastiaens, Mathis, Michel, Monahan and Seibert. No Compensation Committee interlocks nor insider participation occurred during fiscal 2008.

Table of Contents

AUDIT COMMITTEE REPORT AND

PAYMENT OF FEES TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of the Audit Committee

The Audit Committee oversees Mosaic s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements in the Annual Report on Form 10-K, including the footnotes and Management s Discussion and Analysis of Financial Condition and Results of Operations, with management. This included a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

As part of its oversight, the Audit Committee reviewed with management the following material included or summarized in Item 9A of the Annual Report on Form 10-K:

- Management s report on its assessment of the effectiveness of Mosaic s internal control over financial reporting; and

- Management s conclusions regarding the effectiveness of Mosaic s disclosure controls and procedures.

The Audit Committee also reviewed with Mosaic s independent registered public accounting firm, KPMG LLP, its report on the effectiveness of Mosaic s internal control over financial reporting included in the Annual Report on Form 10-K. Management has the primary responsibility for maintaining adequate internal control over financial reporting and disclosure controls and procedures. KPMG LLP has the responsibility for auditing the effectiveness of Mosaic s internal control over financial reporting as of year end and expressing an opinion thereon based on its audit.

The Audit Committee also reviewed with KPMG LLP, which is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, its judgments as to the quality, not just the acceptability, of Mosaic s accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards and Statement on Auditing Standards No. 61, as amended. The Audit Committee has also reviewed with KPMG LLP and management the application and impact of new accounting rules, regulations, disclosure requirements and reporting practices on Mosaic s financial statements and reports. In addition, the Audit Committee has discussed with KPMG LLP its independence from management and Mosaic, including the matters in the written disclosures required by the Independence Standards Board Standard No. 1. The Audit Committee has also reviewed and considered the compatibility of nonaudit services with regard to KPMG LLP s independence.

The Audit Committee discussed with our internal auditor (or other personnel responsible for the internal audit function) and KPMG LLP the overall scope and plans for their respective audits. The Audit Committee meets with our internal auditor (or other personnel responsible for the internal audit function) and our independent registered public accounting firm, with and without management present, to discuss the results of their audits, their evaluations of our internal controls and the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements and the reports of KPMG LLP be included in the Annual Report on Form 10-K for the year ended May 31, 2008 for filing with the SEC. The Audit Committee has also approved the reappointment of KPMG LLP as Mosaic s independent registered public accounting firm to audit the financial statements for our 2009 fiscal year.

Respectfully submitted,

William R. Graber, *Chair*

Raymond F. Bentele

Phyllis E. Cochran

David B. Mathis

William T. Monahan

Table of Contents

Fees Paid to Independent Registered Public Accounting Firm

During our 2008 and 2007 fiscal years, KPMG LLP (KPMG) provided us with audit, audit-related, tax compliance and planning and other services. We incurred the following fees for services performed by KPMG for these periods:

	2007	2008
Audit Fees	$ 6,539,000	$ 6,235,000
Audit-Related Fees	188,000	246,000
Tax Fees	272,000	447,000
All Other Fees		11,000

Audit fees include fees associated with the annual financial statement audit and the audit of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002. Also included are fees related to the review of our quarterly reports on Form 10-Q, statutory reporting required internationally, other audits required, as well as assistance with review of documents filed with the SEC.

Audit-related fees principally include fees associated with employee benefit plan audits, certain attest services and accounting consultations. No internal audit assistance services were rendered during such periods.

Tax fees include tax compliance fees related to tax return preparation and review and services related to proposed tax regulations.

Other fees include fees associated with training our employees regarding United States generally accepted accounting principles.

The Audit Committee of the Board of Directors has concluded that none of the services provided by KPMG has impaired KPMG s independence.

Pre-Approval of Independent Registered Public Accounting Firm Services

Pursuant to the Audit Committee s charter and independent registered public accounting firm services pre-approval policies, the Audit Committee pre-approves the annual audit fees and terms of engagement of our independent registered public accounting firm. In addition, the Audit Committee s pre-approval policies identify specified categories of audit-related and tax services that may be provided by the independent registered public accounting firm.

The independent registered public accounting firm may be considered for other services not specifically approved as described above so long as the performance of such services by the independent registered public accounting firm is not prohibited by rules of the SEC.

Any engagement of the independent registered public accounting firm must be pre-approved by the Audit Committee or the Chair of the Audit Committee. All approvals granted by the Chair are reported to the Audit Committee at its next scheduled meeting.

In pre-approving a proposed engagement of the independent registered public accounting firm, the Audit Committee or its Chair considers the impact of the proposed engagement on the independence of the independent registered public accounting firm. If the services do not impair independence, the Audit Committee or its Chair considers such other factors as it deems relevant. Such factors may include, among other matters, (i) the relationship between fees for audit and non-audit services, (ii) whether the independent registered public accounting firm is best positioned to provide the most effective and efficient services, (iii) whether the services will improve the quality of the annual audit, (iv) cost, and (v) familiarity with our business, accounting and business systems, accounting principles and corporate structure.

Table of Contents

In addition, the Audit Committee, pursuant to its charter, reviews on an annual basis a formal written statement from the independent registered public accounting firm delineating all relationships between the independent registered public accounting firm and Mosaic and its subsidiaries, consistent with Independence Standards Board Standard No. 1, and discusses with the independent registered public accounting firm its methods and procedures for assuring independence.

All of the services provided by KPMG for our 2008 and 2007 fiscal years were approved by the Audit Committee or its Chair under its policies. None of the services provided by KPMG for our 2008 or 2007 fiscal years were approved after the fact in reliance upon the *de minimis* exception of Regulation S-X promulgated by the SEC.

PROPOSAL NO. 2 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On July 25, 2008, the Audit Committee of the Board of Directors appointed KPMG as the independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending May 31, 2009.

While we are not required to do so, we are submitting the appointment of KPMG to serve as our independent registered public accounting firm for the fiscal year ending May 31, 2009 for ratification in order to ascertain the views of our stockholders on this appointment. If the appointment is not ratified, the Audit Committee will reconsider its selection. Representatives of KPMG are expected to be present at the Annual Meeting and will have the opportunity to make any statements they may desire. They also will be available to respond to appropriate questions of the stockholders.

The Board of Directors recommends a vote FOR ratification of the appointment of KPMG LLP as our independent registered public accounting firm.

STOCKHOLDER PROPOSALS AND NOMINATIONS FOR THE

2009 ANNUAL MEETING OF STOCKHOLDERS

Our Bylaws establish an advance notice procedure for stockholder proposals at our 2009 Annual Meeting of Stockholders. For business to be properly brought before the 2009 Annual Meeting by a stockholder, and for stockholder recommendations of future director nominees to be considered by the Corporate Governance and Nominating Committee:

- the stockholder must have given written notice thereof to the Corporate Secretary;
- the notice must be delivered or mailed to and received at our principal executive offices not later than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting. A stockholder proposal or nomination intended to be brought before the 2009 Annual Meeting must be received by the Corporate Secretary no earlier than June 11, 2009 and no later than July 11, 2009;
- delivery must be by hand or by certified or registered mail, return receipt requested;
- the notice must include:
  - a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting;
  - the name and address, as they appear on our books, of the stockholder proposing such business;

a representation that the stockholder is a holder of record of shares of our stock entitled to vote with respect to such business and intends to appear in person or by proxy at the meeting to move the consideration of such business;

the class and number of shares the stockholder beneficially owns; and

any material interest of the stockholder in such business.

Additional requirements relating to a notice of nomination are described in this proxy statement under the caption Policies Relating to the Board of Directors Nomination and Selection of Directors.

Proposals for inclusion in our proxy material for our 2009 Annual Meeting pursuant to Rule 14a-8 of the proxy rules of the SEC are not subject to the requirements described above. Such proposals must be received by April 27, 2009 and meet the other requirements of Rule 14a-8 to be eligible for inclusion in our proxy material for our 2009 Annual Meeting.

ANNUAL REPORT TO STOCKHOLDERS AND FORM 10-K

Our 2008 Annual Report to Stockholders, including financial statements for the fiscal year ended May 31, 2008, accompanies this proxy statement but is not incorporated in this proxy statement and is not a part of the proxy soliciting material. Stockholders who wish to obtain an additional copy of our Annual Report to Stockholders or a copy of our Annual Report on Form 10-K filed with the SEC for the fiscal year ended May 31, 2008 may do so without charge by viewing these documents on our website at www.mosaicco.com, or by directing a written request to The Mosaic Company, Atria Corporate Center, Suite E490, 3033 Campus Drive, Plymouth, Minnesota 55441, Attention: Director Investor Relations, or by telephone at (763) 577-2867.

OTHER MATTERS

We know of no matters which will be presented for consideration at the Annual Meeting other than those stated in the Notice of 2008 Annual Meeting of Stockholders and described in this proxy statement. If any matter properly comes before the Annual Meeting, the persons named in the accompanying proxy card will vote such proxy in accordance with their judgment regarding such matters, including the election of a director or directors other than those named herein if an emergency or unexpected occurrence makes the use of discretionary authority necessary, and also regarding matters incident to the conduct of the 2008 Annual Meeting of Stockholders.

By Order of the Board of Directors

Richard L. Mack

Senior Vice President, General Counsel and Corporate Secretary

August 25, 2008

Table of Contents

DIRECTIONS TO RADISSON HOTEL AND CONFERENCE CENTER

The meeting will be held at the Radisson Hotel and Conference Center, 3131 Campus Drive, Plymouth, Minnesota 55441. The general telephone number for the Radisson Hotel and Conference Center is (763) 559-6600.

General Directions

The Radisson Hotel and Conference Center is just east of I-494 between Hwy 55 and Rockford Road. From the County Rd. 9/Rockford Road exit proceed east on County Rd. 9/Rockford Road. Turn South on Vinewood. The Hotel is approximately 2 miles south, on the west side of the road.

From Minneapolis-St. Paul International Airport

Follow Interstate 494 West. It will become Interstate 494 North. Stay on I-494 North until Highway 55, Exit 22. Turn right onto Highway 55 East, then left (north) at the first set of signal lights, onto Northwest Boulevard. Turn left at Xenium Lane and follow Xenium Lane to the Hotel. The Hotel will be on the left.

From Downtown Minneapolis

Take Interstate 394 West to the Plymouth Road Exit. Turn right and follow Plymouth Road, which will become Northwest Boulevard. After crossing Highway 55, turn left at Xenium Lane. Follow Xenium Lane to the Hotel. The Hotel will be on the left.

Table of Contents

Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and Annual Report are available at www.mosaicco.com/proxymaterials

THE MOSAIC COMPANY

Proxy Solicited on Behalf of the Board of Directors of the Company for the Annual Meeting, October 9, 2008

The undersigned hereby constitutes and appoints James T. Prokopanko, Lawrence W. Stranghoener and Richard L. Mack and each of them, with full power of substitution, Proxies to represent the undersigned at the Annual Meeting of Stockholders of The Mosaic Company to be held at the Radisson Hotel and Conference Center, 3131 Campus Drive, Plymouth, Minnesota 55441, on October 9, 2008, at 10:00 a.m., local time, and at any adjournments thereof, and to vote on all matters coming before said meeting, hereby revoking any proxy heretofore given.

You are encouraged to specify your choices by marking the appropriate boxes (SEE REVERSE SIDE), but you need not mark any boxes if you wish to vote in accordance with the Board of Directors recommendations as noted in the proxy statement and on the reverse side of this card. The Proxies cannot vote these shares unless you return this card by mail or instructions by Internet or phone as described on the reverse side of this card.

If the undersigned is a participant in the Mosaic Investment Plan or the Mosaic Union Savings Plan, the undersigned hereby directs Vanguard Fiduciary Trust Company (the Trustee) as Trustee of the Mosaic Investment Plan or the Mosaic Union Savings Plan, to vote at the Annual Meeting of Stockholders of The Mosaic Company to be held on October 9, 2008 and at any and all adjournments thereof, the shares of common stock of The Mosaic Company, allocated to the account of and as instructed by the undersigned. For participants in the Mosaic Investment Plan or the Mosaic Union Savings Plan, if voting instructions are not received by the Trustee by October 6, 2008, or if they are received but are invalid, the stock with respect to which the undersigned could have instructed the Trustee will be voted in the same proportions as the shares for which the Trustee received valid participant voting instructions.

Address Changes/Comments: ____

____

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

(Continued and to be signed on the reverse side)

Table of Contents

THE MOSAIC COMPANY

C/O AMERICAN STOCK TRANSFER

6201 FIFTEENTH AVENUE

BROOKLYN, NY 11219

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 12:00 Noon Eastern Time on Wednesday, October 8, 2008. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS

If you would like to reduce the costs incurred by The Mosaic Company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 12:00 Noon Eastern Time on Wednesday, October 8, 2008. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to The Mosaic Company, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: MOSAC1 KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

THE MOSAIC COMPANY	**For All**	**Withhold All**	**For All Except**	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH DIRECTOR NOMINEE LISTED IN PROPOSAL 1 AND FOR PROPOSAL 2.	¨	¨	¨	___________________________

1. Election of four (4) members of the Board of Directors:

Nominees:

01) David B. Mathis
02) James L. Popowich
03) James T. Prokopanko
04) Steven M. Seibert

	For	Against	Abstain
2. Ratification of the appointment of KPMG LLP as independent registered public accounting firm.	¨	¨	¨

3. In their discretion, the Proxies are authorized to transact other business that properly may come before the meeting or any adjournment of the meeting.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR THE ELECTION OF EACH OF THE DIRECTOR NOMINEES LISTED IN PROPOSAL 1 AND FOR PROPOSAL 2.

For address changes and/or comments, please check this box and write them on the back where indicated. ¨

Please indicate if you plan to attend this meeting. ¨ ¨

Yes **No**

Note: Please sign exactly as your name or names appear(s) on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

y-of-the-month prices for the prior twelve months were $79.43/bo for oil and $4.38/mmbtu for natural gas at December 31, 2010 and $90.09/bo for oil and $4.21/mmbtu for natural gas at June 30, 2011. These prices were adjusted by lease for quality, transportation fees, geographical differentials, marketing bonuses or deductions and other factors affecting the price realized at the wellhead. As of December 31, 2010, the average realized prices for oil and natural gas were $78.92 per bo and $4.68 per mcf, respectively. As of June 30, 2011, the relevant average realized prices for oil and natural gas were $94.75 per bo, $4.66 per mcf, respectively.

(2) One boe is equal to six mcf of natural gas or one bo of oil or NGL s based on a rough energy equivalency. This is a physical correlation and does not reflect a value or price relationship between the commodities.

(3) Standardized measure is calculated in accordance with Statement of Financial Accounting Standards No. 69, Disclosures About Oil and Gas Producing Activities, as codified in ASC Topic 932, Extractive Activities Oil and Gas. For a description of our expected commodity derivative contracts, please read Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Realized Prices on the Sale of Oil and Natural Gas Commodity Derivative Contracts. Prior to the closing of this offering, we will not be treated as a taxable entity for federal income tax purposes. Future calculation of the standardized measure will include the effects of income taxes on future net revenues. For further discussion of income taxes, see Management s Discussion and Analysis of Financial Condition and Results of Operations. For further information regarding the calculation of the standardized measure (and the effect of income taxes), see Unaudited Supplementary Information included in the financial statements elsewhere in this prospectus.

The data in the table above represents estimates only. Oil and natural gas reserve engineering is inherently a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured exactly. The accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Accordingly, reserve estimates may vary from the quantities of oil and natural gas that are ultimately recovered. For a discussion of risks associated with internal reserve estimates, please read Risk Factors Risks Related to Our Business Our estimated reserves and future production rates are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our estimated reserves.

Table of Contents

Future prices realized for production and costs may vary, perhaps significantly, from the prices and costs assumed for purposes of these estimates. The standardized measure amounts shown above should not be construed as the current market value of our estimated oil and natural gas reserves. The 10% discount factor used to calculate standardized measure, which is required by Financial Accounting Standard Board pronouncements, is not necessarily the most appropriate discount rate. The present value, no matter what discount rate is used, is materially affected by assumptions as to timing of future production, which may prove to be inaccurate.

Development of Proved Undeveloped Reserves

None of our proved undeveloped reserves at June 30, 2011 are scheduled to be developed on a date more than five years from the date the reserves were initially booked as proved undeveloped. In early 2010, we commenced the development of our Palmetto area and, during the course of that year, we drilled and completed three gross wells, the Barnett #1H, Barnett #2H and Barnett #3H, across our acreage in order to assess and begin the delineation of the area. All three of those wells were successful, resulting in the booking of substantial proved undeveloped reserves at December 31, 2010. We had no proved undeveloped reserves in 2009 and, as a result, the amount of proved undeveloped reserves increased substantially year over year, from zero in 2009 to 2.5 million boe in 2010. Historically, our drilling and development programs were substantially funded from capital contributions and our cash flow from operations. Our expectation is to continue to fund our drilling and development programs primarily from equity capital, including a portion of the net proceeds from this offering and our cash flow from operations. Based on our current expectations of our cash flows and drilling and development programs, which includes drilling of proved undeveloped locations, we believe that we can fund the drilling of our current inventory of proved undeveloped locations and our expansions, extensions in the next five years from our cash flow from operations and, if needed, through additional equity capital and any credit facility we may enter into. We currently expect that the net proceeds from this offering and our expected cash flows from operations will not require us to obtain any material debt financing to finance our planned capital expenditure program through December 2013. However, we anticipate that we will arrange a borrowing facility in the future to increase our available liquidity options. For a more detailed discussion of our liquidity position, please read Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

For more information about SEP I s historical costs associated with the development of proved undeveloped reserves, please read the Unaudited Supplementary Information included in the financial statements elsewhere in this prospectus.

Estimated Probable and Possible Reserves

Unless otherwise specifically identified in this prospectus, the summary data with respect to our estimated reserves has been prepared by our independent reserve engineers in accordance with rules and regulations of the SEC applicable to companies involved in oil and natural gas producing activities.

The reserve estimates at December 31, 2010 and June 30, 2011 presented in the table below are based on reports prepared by Ryder Scott, independent reserve engineers. For more information regarding our independent reserve engineers, please see Qualifications of Responsible Technical Persons above. The information in the following table does not give any effect to or reflect our commodity derivative instruments.

Estimates of probable reserves are inherently imprecise. When producing an estimate of the amount of oil and natural gas that is recoverable from a particular reservoir, an estimated quantity of probable reserves is an estimate of those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. Estimates of probable reserves are also continually subject to revisions based on production history, results of additional exploration and development, price changes and other factors.

When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there

Table of Contents

should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates. Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir. Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

Estimates of possible reserves are also inherently imprecise. When producing an estimate of the amount of oil and natural gas that is recoverable from a particular reservoir, an estimated quantity of possible reserves is an estimate that might be achieved, but only under more favorable circumstances than are likely. Estimates of possible reserves are also continually subject to revisions based on production history, results of additional exploration and development, price changes and other factors.

When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates. Possible reserves may be assigned to areas of a reservoir adjacent to probable reserve where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir. Possible reserves also include incremental quantities associated with a greater percentage of recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

	At December 31, 2010(2)						At June 30, 2011(2)					
	Proved Reserves (mboe)[5]	PV-10[3] (in millions)	Probable Reserves[4] (mboe)[5]	PV-10[3] (in millions)	Possible Reserves[4] (mboe)[5]	PV-10[3] (in millions)	Proved Reserves (mboe)[5]	PV-10[3] (in millions)	Probable Reserves[4] (mboe)[5]	PV-10[3] (in millions)	Possible Reserves[4] (mboe)[5]	PV-10[3] (in millions)
Project Area[1]												
Eagle Ford												
Palmetto-Gonzales	2,870	$ 47.2	11,428	$ 154.6	8,147	$ 60.2	2,939	$ 61.2	11,428	$ 200.5	8,148	$ 80.7
Maverick-												
Zavala, Frio	5	0.1	N/A	N/A	N/A	N/A	107	5.0	1,523	16.6	-	-
Total Eagle Ford	2,875	$ 47.3	11,428	$ 154.6	8,147	$ 60.2	3,046	$ 66.2	12,951	$ 217.1	8,148	$ 80.7
Haynesville	197	3.4	N/A	N/A	N/A	N/A	199	3.3	N/A	N/A	N/A	N/A
Total	3,072	$ 50.7	11,428	$ 154.6	8,147	$ 60.2	3,245	$ 69.5	12,951	$ 217.1	8,148	$ 80.7

(1) Excludes our Marquis area, which has no estimated proved, probable or possible reserves.

(2) Our estimated net proved, probable and possible reserves and related future net revenues and PV-10 at December 31, 2010 and June 30, 2011 were determined using index prices for oil and natural gas, without giving effect to commodity derivative contracts, held constant throughout the life of the properties. The unweighted arithmetic average first-day-of-the-month prices for the prior twelve months were $79.43/bo for oil and $4.38/mmbtu for natural gas at December 31, 2010 and $90.09/bo for oil and $4.21/mmbtu for natural gas at June 30, 2011. These prices were adjusted by lease for quality, transportation fees, geographical differentials, marketing bonuses or deductions and other factors affecting the price realized at the wellhead. As of December 31, 2010, the average realized prices for oil and natural gas were $78.92 per bo and $4.68 per mcf, respectively. As of June 30, 2011, the average realized prices for oil and natural gas were $94.75 per bo and $4.66 per mcf, respectively.

(3) PV-10 is a non-GAAP financial measure and represents the period-end present value of estimated future cash inflows from proved natural gas and crude oil reserves, less future development and production costs, discounted at 10% per annum to reflect timing of future cash flows and using pricing assumptions in effect at the end of the period. PV-10 for probable and possible reserves is not comparable to PV-10 for proved reserves and you should not consider these

measures as equivalent or place undue reliance on PV-10 for probable and possible reserves. PV-10 differs from standardized measure because it does not include the effects of income taxes. Our PV-10 and our standardized measure are equivalent because prior to completion of this offering we were not subject to entity level taxation. Accordingly, no provision for federal income taxes has been provided because taxable income is passed through to our equity holder. After this offering we will be treated as a taxable entity for federal income tax purposes and our future income taxes will be dependent upon our future taxable income. Neither PV-10 nor standardized measure represents an estimate of fair market value of our natural gas and crude oil properties. PV-10 is used by the industry and by our management as an arbitrary reserve asset value measure to compare against past reserve bases and the reserve bases of other business entities that are not dependent on the taxpaying status of the entity.

Table of Contents

(4) In addition to estimated proved reserve reports dated December 31, 2010 and June 30, 2011, Ryder Scott provided us with probable and possible reserve reports as of June 30, 2011 for the Maverick area and as of December 31, 2010 and June 30, 2011 for the Palmetto area. Probable and possible reserves included in the report as of June 30, 2011 totaled 21 mmboe and $297.8 million in additional PV-10 value. Of these June 30, 2011 reserves, 93% were attributed to our Palmetto area and 7% were attributed to our Maverick area. As of December 31, 2010, of these probable and possible reserves, 9,416 and 7,818 mbo were classified as oil, 12,072 mmcf and 1,974 mmcf were classified as natural gas and none were classified as NGLs, respectively. As of June 30, 2011, of these probable and possible reserves, 10,824 and 7,818 mbo were classified as oil, 12,762 mmcf and 1,973 mmcf were classified as natural gas and none were classified as NGLs, respectively. Estimates of probable and possible reserves that may potentially be recoverable through additional drilling or recovery techniques are by nature more uncertain than estimates of proved reserves and accordingly are subject to substantially greater risk of not actually being realized by us. All of our probable and possible reserves are classified as undeveloped.

(5) One boe is equal to six mcf of natural gas or one bo of oil or NGL s based on a rough energy equivalency. This is a physical correlation and does not reflect a value or price relationship between the commodities.

Production, Revenues and Price History

The following table sets forth information regarding combined net production of oil and natural gas and certain price and cost information attributable to our properties for each of the periods presented:

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
Production and operating data:					
Net production volumes:[1]					
Oil (mbo)	-	3.4	55.8	20.5	102.2
Natural gas (mmcf)	-	-	31.9	-	93.0
Total (mboe)	-	3.4	61.1	20.5	117.7
Average net production (boe/d)	-	9.2	167.4	75.0	431.1
Average sales price:[2]					
Oil (per bo)	$ -	$ 71.79	$ 78.92	$ 71.55	$ 92.31
Natural gas (per mcf)	$ -	$ -	$ 4.68	$ -	$ 4.69
Average price per boe	$ -	$ 71.79	$ 74.50	$ 71.55	$ 83.85
Average unit costs per boe:					
Oil and natural gas production expenses	$ -	$ 2.50	$ 6.41	$ 3.44	$ 10.27
Production taxes	$ -	$ 3.31	$ 3.50	$ 3.30	$ 4.68
General and administrative	$ -	$ 545.60	$ 86.32	$ 201.29	$ 29.77
Depletion, depreciation and amortization	$ -	$ 123.65	$ 23.36	$ 15.80	$ 23.46

(1) Our Palmetto area constituted approximately 90.6% of our estimated proved reserves as of June 30, 2011. Our production from the Palmetto area was 48.5 mboe for the year ended December 31, 2010. We had no production in our Palmetto area in 2008 and 2009. The 2010 production was comprised of 43.2 mbo of oil, 31.9 mmcf of natural gas and no NGLs.

(2) Prices do not include the effects of derivative cash settlements.

Table of Contents

Drilling Activities

The following table sets forth information with respect to wells drilled and completed during the periods indicated. The information should not be considered indicative of future performance, nor should a correlation be assumed between the number of productive wells drilled, quantities of reserves found or economic value.

	Year Ended December 31,					
	2008		2009		2010	
	Gross	Net	Gross	Net	Gross	Net
Development wells:						
Productive	-	-	-	-	6.0	3.0
Dry	-	-	-	-	-	-
Exploratory wells:						
Productive	-	-	1.0	0.4	2.0	0.8
Dry	-	-	-	-	-	-
Total wells:						
Productive	-	-	1.0	0.4	8.0	3.8
Dry	-	-	-	-	-	-

Productive Wells

The following table sets forth information at September 30, 2011 relating to the productive wells in which we owned a working interest as of that date. Productive wells consist of producing wells and wells capable of production, including natural gas wells awaiting pipeline connections to commence deliveries and oil wells awaiting connection to production facilities. Gross wells are the total number of producing wells in which we own an interest, and net wells are the sum of our fractional working interests owned in gross wells.

	Oil		Natural Gas	
	Gross	Net	Gross	Net
Operated by us	3.0	1.5	-	-
Non-operated	4.0	2.0	1.0	0.3
Total	7.0	3.5	1.0	0.3

Developed and Undeveloped Acreage

The following table sets forth information as of September 30, 2011 relating to our leasehold acreage. Acreage related to royalty, overriding royalty and other similar interests is excluded from this summary. As of September 30, 2011, 3% of our acreage was held by production.

	Developed Acreage		Undeveloped Acreage	
	Gross	Net	Gross	Net
Eagle Ford Shale Palmetto	480	240	18,736	9,152
Eagle Ford Shale Maverick	120	72	34,208	27,639
Eagle Ford Shale Marquis	-	-	54,868	54,868
Haynesville	240	60	4,528	1,192
Heath, Three Forks and Bakken	-	-	82,274	82,274
Total	840	372	194,614	175,125

Excluding the properties to be acquired in the Marquis acquisition, as of September 30, 2011, we had leases representing 1,454 net acres (1,369 of which were in the Eagle Ford Shale) expiring in 2011, 4,988 net acres (4,837 of which were in the Eagle Ford Shale) expiring in 2012, and

21,259 net acres (21,214 of which

Table of Contents

were in the Eagle Ford Shale) expiring in 2013. The Marquis acquisition includes approximately 54,900 net acres, none of which expires before December 31, 2013 except: (i) leases comprising 1,739 net acres covering properties in Webb County, Texas (with respect to each of which the lessee has an optional right to extend the primary term for a two-year period); (ii) properties comprising 695 net acres covering properties in DeWitt County, Texas; and (iii) properties comprising 461 net acres covering properties in Fayette County, Texas. In addition, we will have the option to acquire additional properties acquired by Ross Exploration under certain circumstances. See The Marquis Acquisition. As such, our actual drilling activities may materially differ from those presently identified, which could adversely affect our business, financial condition and results of operation.

Delivery Commitments

We will have no delivery commitments with respect to our production upon the closing of this offering and the contribution of our properties to us.

Operations

Oil and Natural Gas Leases

The typical oil and natural gas lease agreement covering our properties provides for the payment of royalties to the mineral owner for all oil and natural gas produced from any well drilled on the lease premises. After giving effect to the Marquis acquisition, the lessor royalties and other leasehold burdens on our properties range from less than 15.5% to 28.0%, resulting in a net revenue interest to us ranging from 72.0% to 84.5%.

Marketing and Major Customers

For the year ended December 31, 2010, purchases by two of our customers accounted for 81% and 19%, respectively, of our total sales revenues. The two customers purchase the oil production from us pursuant to existing marketing agreements with terms that are currently on evergreen status and renew on a month-to-month basis until either party gives 30-day advance written notice of non-renewal.

Since the oil and natural gas that we sell are commodities for which there are a large number of potential buyers and because of the adequacy of the infrastructure to transport oil and natural gas in the areas in which we operate, if we were to lose one or more customers, we believe that we could readily procure substitute or additional customers such that our production volumes would not be materially affected for any significant period of time.

Hedging Activities

We intend to enter into commodity derivative contracts with unaffiliated third parties to achieve more predictable cash flows and to reduce our exposure to short-term fluctuations in oil and natural gas prices. For a more detailed discussion of our hedging activities, please read Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Realized Prices on the Sale of Oil and Natural Gas and Quantitative and Qualitative Disclosure About Market Risk.

Competition

We operate in a highly competitive environment for leasing and acquiring properties and in securing trained personnel. Our competitors specifically include major and independent oil and natural gas companies that operate in our project areas. These competitors include, but are not limited to, Chesapeake Energy Corporation, Marathon, EOG Resources, Inc., GeoResources, Inc., Penn Virginia Corporation and Magnum Hunter Resources Corporation. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours, which can be particularly important in the areas in which we operate. As a result, our competitors may be able to pay more for productive oil and natural gas properties and exploratory prospects, as well as evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. Our ability to acquire additional properties and to find and develop reserves will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. In addition, there is substantial competition for capital available for investment in the oil and natural gas industry.

We are also affected by competition for equipment, including drilling rigs and completion equipment. In recent years, the United States onshore oil and natural gas industry has experienced shortages of equipment, including drilling rigs and completion equipment, and personnel, which have delayed development drilling and other exploitation activities and caused significant increases in the prices for this equipment and personnel. We are unable to predict when, or if, such shortages may occur or how they would affect our development and exploitation programs.

Title to Properties

Prior to completing an acquisition of producing oil and natural gas properties, we perform title reviews on significant leases, and depending on the materiality of properties, we may obtain a title opinion or review previously obtained title opinions. As a result, title examinations have been obtained on a significant portion of our properties. After an acquisition, we review the assignments from the seller for scrivener s and other errors and execute and record corrective assignments as necessary.

As is customary in the oil and natural gas industry, we initially conduct only a cursory review of the titles to our properties on which we do not have proved reserves. Prior to the commencement of drilling operations on those properties, we conduct a thorough title examination and perform curative work with respect to significant defects. To the extent title opinions or other investigations reflect title defects on those properties, we are typically responsible for curing any title defects at our expense. We generally will not commence drilling operations on a property until we have cured any material title defects on such property.

We believe that we have satisfactory title to all of our material assets. Although title to these properties is subject to encumbrances in some cases, such as customary interests generally retained in connection with the acquisition of real property, customary royalty interests and contract terms and restrictions, liens under operating agreements, liens related to environmental liabilities associated with historical operations, liens for current taxes and other burdens, easements, restrictions and minor encumbrances customary in the oil and natural gas industry, we believe that none of these liens, restrictions, easements, burdens and encumbrances will materially detract from the value of these properties or from our interest in these properties or materially interfere with our use of these properties in the operation of our business. In addition, we believe that we have obtained sufficient rights-of-way grants and permits from public authorities and private parties for us to operate our business in all material respects as described in this prospectus.

Seasonal Nature of Business

Generally, but not always, the demand for natural gas decreases during the summer months and increases during the winter months, resulting in seasonal fluctuations in the price we receive for our natural gas production. Seasonal anomalies such as mild winters or hot summers sometimes lessen this fluctuation.

Environmental Matters and Regulation

General

Our operations are subject to stringent and complex federal, state and local laws and regulations governing environmental protection as well as the discharge of materials into the environment or otherwise relating to protection of the environment or occupational health and safety. Numerous governmental agencies, such as the EPA, issue regulations, which often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties and may result in injunctive obligations for failure to comply. These laws and regulations may, among other things (i) require the acquisition of permits to conduct exploration, drilling and production operations; (ii) restrict the types, quantities and concentration of various substances that can be released into the environment or injected into formations in connection with oil and natural gas drilling, production and transportation activities; (iii) govern the sourcing and disposal of water used in the drilling and completion process; (iv) limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas; (v) require remedial measures to mitigate pollution from former and ongoing operations, such as requirements to close pits and plug abandoned wells; (vi) result in the suspension or revocation of necessary permits, licenses and authorizations; (vii) impose substantial liabilities for pollution resulting from drilling and production operations; and (viii) require that additional pollution controls be installed. Any failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal penalties, the imposition of corrective or remedial obligations, and the issuance of orders enjoining performance of some or all of our operations. Furthermore, the strict and joint and several liability nature of such laws and regulations could impose liability upon us regardless of fault.

These laws and regulations may also restrict the rate of oil and natural gas production below the rate that would otherwise be possible. The regulatory burden on the oil and natural gas industry increases the cost of doing business in the industry and consequently affects profitability. Additionally, Congress and federal and state agencies frequently revise environmental laws and regulations, and any changes that result in more stringent and costly waste handling, disposal and cleanup requirements for the oil and natural gas industry could have a significant impact on our operating costs.

The clear trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, and thus any changes in environmental laws and regulations or re-interpretation of enforcement policies that result in more stringent and costly waste handling, storage transport, disposal, or remediation requirements could have a material adverse effect on our financial position and results of operations. We may be unable to pass on such increased compliance costs to our customers. Moreover, accidental releases or spills may occur in the course of our operations, and we cannot assure you that we will not incur significant costs and liabilities as a result of such releases or spills, including any third-party claims for damage to property, natural resources or persons. While we believe that we are in substantial compliance with existing environmental laws and regulations and that continued compliance with existing requirements will not materially affect us, there is no assurance that this trend will continue in the future.

The following is a summary of the more significant existing environmental, health and safety laws and regulations to which our business operations are subject and for which compliance may have a material adverse impact on our capital expenditures, results of operations or financial position.

Hazardous Substances and Waste

Our operations are subject to environmental laws and regulations relating to the management and release of hazardous substances, solid and hazardous wastes and petroleum hydrocarbons. These laws generally regulate the generation, storage, treatment, transportation and disposal of solid and hazardous waste and may impose strict and, in some cases, joint and several liability for the investigation and remediation of affected areas where hazardous substances may have been released or disposed. The Comprehensive Environmental Response, Compensation and Liability Act, as amended, or CERCLA, also known as the Superfund law, and comparable state laws impose liability, without regard to fault or legality of conduct, on classes of persons considered to be responsible for the release, deemed responsible parties, of a hazardous substance into the environment. These persons include the current and past owner or operator of the site where the release occurred, and anyone who disposed or arranged for the disposal of a hazardous substance released at the site. Under CERCLA, such persons may be subject to joint and several, strict liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover the costs they incur from the responsible classes of persons. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury

Table of Contents

and property damage allegedly caused by hazardous substances or other pollutants released into the environment. We generate materials in the course of our operations that may be regulated as hazardous substances, and despite the petroleum exclusion of Section 101(14) of CERCLA, which currently encompasses natural gas, we may nonetheless handle hazardous substances within the meaning of CERCLA, or similar state statutes, in the course of our ordinary operations and, as a result, may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites at which these hazardous substances have been released into the environment. In addition, we may have liability for releases of hazardous substances at our properties by prior owners or operators or other third parties.

The Oil Pollution Act of 1990, or the OPA, is the primary federal law imposing oil spill liability. The OPA contains numerous requirements relating to the prevention of and response to petroleum releases into waters of the United States, including the requirement that operators of offshore facilities and certain onshore facilities near or crossing waterways must maintain certain significant levels of financial assurance to cover potential environmental cleanup and restoration costs. Under the OPA, strict, joint and several liability may be imposed on responsible parties for all containment and cleanup costs and certain other damages arising from a release, including, but not limited to, the costs of responding to a release of oil to surface waters and natural resource damages, resulting from oil spills into or upon navigable waters, adjoining shorelines or in the exclusive economic zone of the United States. A responsible party includes the owner or operator of an onshore facility. The OPA establishes a liability limit for onshore facilities of $350 million. These liability limits may not apply if: a spill is caused by a party s gross negligence or willful misconduct; the spill resulted from violation of a federal safety, construction or operating regulation; or a party fails to report a spill or to cooperate fully in a clean-up.

The Resource Conservation and Recovery Act, as amended, or RCRA, and comparable state statutes and their implementing regulations, regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. Under the auspices of the U.S. Environmental Protection Agency, or EPA, most states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. Federal and state regulatory agencies can seek to impose administrative, civil and criminal penalties for alleged non-compliance with RCRA and analogous state requirements. Drilling fluids, produced waters, and most of the other wastes associated with the exploration, development, and production of oil or natural gas, if properly handled, are exempt from regulation as hazardous waste under Subtitle C of RCRA. These wastes, instead, are regulated under RCRA s less stringent solid waste provisions, state laws or other federal laws. It is possible, however, that certain oil and natural gas exploration, development and production wastes now classified as non-hazardous could be classified as hazardous wastes in the future and therefore be subject to more rigorous and costly disposal requirements. Indeed, legislation has been proposed from time to time in Congress to re-categorize certain oil and natural gas exploration and production wastes as hazardous wastes. Any such change could result in an increase in our costs to manage and dispose of wastes, which could have a material adverse effect on our results of operations and financial position.

We currently own, lease, or operate numerous properties that have been used for oil and natural gas exploration, production and processing for many years. Although we believe that we are in substantial compliance with the requirements of CERCLA, RCRA, OPA and related state and local laws and regulations, that we hold all necessary and up-to-date permits, registrations and other authorizations required under such laws and regulations and that we have utilized operating and waste disposal practices that were standard in the industry at the time, hazardous substances, wastes, or hydrocarbons may have been released on, under or from the properties owned or leased by us, or on, under or from other locations, including off-site locations, where such substances have been taken for disposal. In addition, some of our properties have been operated by third parties or by previous owners or operators whose treatment and disposal of hazardous substances, wastes, or hydrocarbons was not under our control. These properties and the substances disposed or released on, under or from them may be subject to CERCLA, RCRA, and analogous state laws. Under such laws, we could be required to undertake response or corrective measures, which could include removal of previously disposed substances and wastes, cleanup of contaminated property or performance of remedial plugging or pit closure operations to prevent future contamination.

Table of Contents

Water and Other Water Discharges and Spills

The Federal Water Pollution Control Act, as amended, also known as the Clean Water Act, the SDWA, the OPA and analogous state laws, impose restrictions and strict controls with respect to the discharge of pollutants, including oil, produced waters and other hazardous substances, into federal and state waters. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by EPA or an analogous state agency. The discharge of dredge and fill material in regulated waters, including wetlands, is also prohibited, unless authorized by a permit issued by the U.S. Army Corps of Engineers. The EPA has also adopted regulations requiring certain oil and natural gas exploration and production facilities to obtain individual permits or coverage under general permits for storm water discharges. Some states also maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions. The underground injection of fluids is subject to permitting and other requirements under state laws and regulation. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans, as well as for monitoring and sampling the storm water runoff from certain of our facilities. Obtaining permits also has the potential to delay the development of oil and natural gas projects. These same regulatory programs also limit the total volume of water that can be discharged, hence limiting the rate of development, and require us to incur compliance costs.

Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with discharge permits or other requirements of the Clean Water Act and analogous state laws and regulations. Spill prevention, control and countermeasure, or SPCC, plan requirements imposed under the Clean Water Act require appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a hydrocarbon tank spill, rupture or leak. In addition, the Clean Water Act and analogous state laws required individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. The OPA amends the Clean Water Act and establishes strict liability and natural resource damages liability for unauthorized discharges of oil into waters of the United States. OPA requires owners or operators of certain onshore facilities to prepare Facility Response Plans for responding to a worst case discharge of oil into waters of the United States. These laws and any implementing regulations may impose substantial potential liability for the costs of removal, remediation and damages. Pursuant to these laws and regulations, we may be required to obtain and maintain approvals or permits for the discharge of wastewater or storm water and the underground injection of fluids and are required to develop and implement SPCC plans, in connection with on-site storage of significant quantities of oil. We maintain all required discharge permits necessary to conduct our operations, and we believe we are in substantial compliance with their terms.

It is customary to recover natural gas from deep shale formations through the use of hydraulic fracturing, combined with sophisticated horizontal drilling. Hydraulic fracturing involves the injection of water, sand and chemical additives under pressure into rock formations to stimulate natural gas production. The protection of groundwater quality is extremely important to us. We believe that we follow all state and federal regulations and apply industry standard practices for groundwater protection in our operations. These measures are subject to close supervision by state and federal regulators. Our policy and practice is to follow all applicable guidelines and regulations in the areas where we conduct hydraulic fracturing. A surface casing string is set deeper than the deepest usable quality fresh water zones and cemented back to the surface in accordance with the appropriate regulations, potential lease requirements and legal requirements to ensure protection of existing fresh water zones. This surface string of casing is then pressure tested to ensure mechanical integrity of the casing string prior to continuing drilling operations. Hydraulic fracturing is typically regulated by state oil and natural gas commissions. The EPA, however, recently asserted federal regulatory authority over hydraulic fracturing involving diesel additives under the SDWA UIC, Program by posting a new requirement on its website that requires facilities to obtain permits to use diesel fuel in hydraulic fracturing operations. The U.S. Energy Policy Act of 2005, which exempts hydraulic fracturing from regulation under the SDWA, prohibits the use of diesel fuel in the fracturing process without a UIC permit. Although the EPA has yet to take any action to enforce or implement this newly-asserted regulatory authority, industry groups have filed suit challenging the EPA s recent decisions as a final agency action and, thus, violative of the notice-and-comment rulemaking procedures of the Administrative Procedures Act. At the same time, the EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, with results of the study anticipated to be available by late 2012, and a committee of the U.S. House of Representatives also is conducting an investigation of hydraulic fracturing practices. In addition, legislation was proposed in the recently ended 111th session of Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process, and such legislation could be introduced in the current session of Congress. Further, certain members of the Congress have called upon the U.S. Government Accountability Office to investigate how hydraulic fracturing might adversely affect water resources. These ongoing or proposed studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the SDWA or other regulatory mechanism. Also, some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances or otherwise require the public disclosure of chemicals used in the hydraulic fracturing process. For example, Texas adopted a law in June 2011 requiring disclosure to the Railroad Commission of Texas and the public of certain information regarding the components used in the hydraulic fracturing process. Furthermore, in July 2011, the EPA proposed several new emissions standards to reduce VOC emissions from several types of processes and equipment used in the oil and natural gas industry, including a 95 percent reduction in VOCs emitted during the construction or modification of hydraulically-fractured wells. If these or any other new laws or regulations that significantly restrict hydraulic fracturing are adopted, such laws could make it more difficult or costly for us to drill and produce from conventional and tight formations as well as make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings. In addition, on October 20, 2011, the EPA announced its intention to develop federal pre-treatment standards for wastewater discharges associated with hydraulic fracturing activities. If adopted, the new pretreatment rules will require coalbed methane and shale gas operations to pretreat wastewater before transferring it to treatment facilities. Proposed rules are expected in 2013 for coalbed methane and 2014 for shale gas. We cannot predict the impact that these standards may have on our business at this time, but these standards could have a material impact on our business, financial condition and results of operation.

If hydraulic fracturing is regulated at the federal level, fracturing activities could become subject to additional permitting and financial assurance requirements, more stringent construction specifications, increased monitoring, reporting and recordkeeping obligations, plugging and abandonment requirements and also to attendant permitting delays and potential increases in costs. Such legislative changes could cause us to incur substantial compliance costs, and compliance or the consequences of failure to comply by us could have a material adverse effect on our financial condition and results of operations. At this time, it is not possible to estimate the potential impact on our business that may arise if federal or state legislation governing hydraulic fracturing is enacted into law.

Air Emissions

The federal Clean Air Act, as amended, and comparable state laws, regulate emissions of various air pollutants through air emissions standards, construction and operating permitting programs and the imposition of other compliance requirements. In addition, the EPA has developed, and continues to develop, stringent regulations governing emissions of toxic air pollutants at specified sources. In particular, in July 2011, pursuant to a court-ordered consent decree, the EPA proposed new emissions standards to reduce VOC emissions from several types of processes and equipment used in the oil and natural gas industry, including a 95 percent reduction in VOCs emitted during construction or modification of hydraulically-fractured wells. The consent decree requires the EPA to take final action by February 28, 2012, following a public comment period. Additionally, on August 23, 2011, the EPA published a proposed rule in the Federal Register that would establish new air emission controls for oil and natural gas production and natural gas processing operations. The EPA is currently receiving public comment and recently conducted public hearings regarding the proposed rules and must take final action on them by February 28, 2012. These laws and regulations may require us to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and strictly comply with stringent air permit requirements or utilize specific equipment or technologies to control emissions. The need to obtain permits has the potential to delay the

Table of Contents

development of oil and natural gas projects, and our failure to comply with these requirements could subject us to monetary penalties, injunctions, conditions or restrictions on operations and, potentially, criminal enforcement actions. While we may be required to incur certain capital expenditures in the next few years for air pollution control equipment or other air emissions-related issues, we do not believe that such requirements will have a material adverse effect on our operations.

Climate Change

On December 15, 2009, the EPA published its findings that emissions of carbon dioxide, methane, and other greenhouse gases, or GHGs, present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to the warming of the earth s atmosphere and other climate changes. These findings allow the EPA to adopt and implement regulations that would restrict emissions of GHGs under existing provisions of the federal Clean Air Act. The EPA has adopted two sets of regulations under the Clean Air Act. The first limits emissions of GHGs from motor vehicles beginning with the 2012 model year. The EPA has asserted that these final motor vehicle GHG emission standards trigger Clean Air Act construction and operating permit requirements for stationary sources, commencing when the motor vehicle standards take effect on January 2, 2011. On June 3, 2010, the EPA published its final rule to address the permitting of GHG emissions from stationary sources under the Prevention of Significant Deterioration, or PSD, and Title V permitting programs. This rule tailors these permitting programs to apply to certain stationary sources of GHG emissions in a multi-step process, with the largest sources first subject to permitting. It is widely expected that facilities required to obtain PSD permits for their GHG emissions also will be required to reduce those emissions according to best available control technology standards for GHG that have yet to be developed. This rule is the subject of several pending lawsuits filed by industry groups. In addition, in October 2009, the EPA published a final rule requiring the reporting of GHG emissions from specified large GHG emission sources in the U.S., including natural gas liquids fractionators and local natural gas/distribution companies, beginning in 2011 for emissions occurring in 2010. In April 2010, the EPA proposed to expand this GHG reporting rule to include onshore oil and natural gas production, processing, transmission, storage, and distribution facilities. If the proposed rule is finalized as proposed, reporting of GHG emissions from such facilities would be required on an annual basis, with reporting beginning in 2012 for emissions occurring in 2011. The EPA also plans to implement GHG emissions standards for power plants in May 2012 and for refineries in November 2012.

In addition, both houses of Congress have actively considered legislation to reduce emissions of GHGs. One bill approved by the U.S. House of Representatives in June 2009, known as the American Clean Energy and Security Act of 2009, would have required an 80% reduction in emissions of GHGs from sources within the U.S. between 2012 and 2050, but it was not approved by the U.S. Senate in the 2009-2010 legislative session. The U.S. Congress is likely to continue to consider similar bills. Moreover, almost one-half of the states have already taken legal measures to reduce emissions of GHGs, primarily through the planned development of GHG emission inventories and/or regional GHG cap and trade programs. Most of these cap and trade programs work by requiring either major sources of emissions or major producers of fuels to acquire and surrender emission allowances, with the number of allowances available for purchase reduced each year until the overall GHG emission reduction goal is achieved. As the number of GHG emission allowances declines each year, the cost or value of allowances is expected to escalate significantly. Furthermore, some states have enacted renewable portfolio standards, which require utilities to purchase a certain percentage of their energy from renewable fuel sources.

The adoption of any legislation or regulations that requires reporting of GHGs or otherwise limits emissions of GHGs from our equipment and operations could require us to incur increased operating costs to monitor and report on GHG emissions or reduce emissions of GHGs associated with our operations, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory requirements. Any GHG emissions legislation or regulatory programs applicable to power plants or refineries could also increase the cost of consuming, and thereby adversely affect demand for the oil and natural gas that we produce. Consequently, legislation and regulatory programs to reduce GHG emissions could have an adverse effect on our business, financial condition and results of operations.

Table of Contents

National Environmental Policy Act

Oil and natural gas exploration, development and production activities on federal lands are subject to the National Environmental Policy Act, as amended, or NEPA. NEPA requires federal agencies, including the Department of Interior, to evaluate major agency actions having the potential to significantly impact the environment. In the course of such evaluations, an agency will prepare an Environmental Assessment to evaluate the potential direct, indirect and cumulative impacts of a proposed project and, if necessary, will prepare a more detailed Environmental Impact Statement that may be made available for public review and comment. Currently, we have minimal exploration and production activities on federal lands. For those current activities, however, as well as for future or proposed exploration and development plans, on federal lands, governmental permits or authorizations that are subject to the requirements of NEPA are required. This process has the potential to delay the development of oil and natural gas projects. Authorizations under NEPA also are subject to protest, appeal or litigation, which can delay or halt projects.

Endangered Species Act

Additionally, environmental laws such as the Endangered Species Act, as amended, or ESA, may impact exploration, development and production activities on public or private lands. The ESA provides broad protection for species of fish, wildlife and plants that are listed as threatened or endangered in the U.S., and prohibits taking of endangered species. Similar protections are offered to migratory birds under the Migratory Bird Treaty Act. Federal agencies are required to insure that any action authorized, funded or carried out by them is not likely to jeopardize the continued existence of listed species or modify their critical habitat. While some of our facilities on federal lands may be located in areas that are designated as habitat for endangered or threatened species, we believe that we are in substantial compliance with the ESA. The U.S. Fish and Wildlife Service may identify, however, previously unidentified endangered or threatened species or may designate critical habitat and suitable habitat areas that it believes are necessary for survival of a threatened or endangered species, which could cause us to incur additional costs or become subject to operating restrictions or bans in the affected areas.

Occupational Safety and Health Act

We are also subject to the requirements of the federal Occupational Safety and Health Act, as amended, or OSHA, and comparable state laws that regulate the protection of the health and safety of employees. In addition, OSHA s hazard communication standard requires that information be maintained about hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens. We believe that our operations are in substantial compliance with the OSHA requirements.

Other Regulation of the Oil and Natural Gas Industry

The oil and natural gas industry is extensively regulated by numerous federal, state and local authorities. Legislation affecting the oil and natural gas industry is under constant review for amendment or expansion, frequently increasing the regulatory burden. Additionally, numerous departments and agencies, both federal and state, are authorized by statute to issue rules and regulations that are binding on the oil and natural gas industry and its individual members, some of which carry substantial penalties for failure to comply. Although the regulatory burden on the oil and natural gas industry increases our cost of doing business and, consequently, affects our profitability, these burdens generally do not affect us any differently or to any greater or lesser extent than they affect other companies in the oil and natural gas industry with similar types, quantities and locations of production.

Legislation continues to be introduced in Congress, and the development of regulations continues in the Department of Homeland Security and other agencies concerning the security of industrial facilities, including oil and natural gas facilities. Our operations may be subject to such laws and regulations. Presently, we do not believe that compliance with these laws will have a material adverse impact on us.

Table of Contents

Drilling and Production

Our operations are subject to various types of regulation at federal, state and local levels. These types of regulation include requiring permits for the drilling of wells, drilling bonds and reports concerning operations. Most states, and some counties and municipalities, in which we operate also regulate one or more of the following:

- the location of wells;
- the method of drilling and casing wells;
- the surface use and restoration of properties upon which wells are drilled;
- the plugging and abandoning of wells; and
- notice to surface owners and other third parties.

State laws regulate the size and shape of drilling and spacing units or proration units governing the pooling of oil and natural gas properties. Some states allow forced pooling or integration of tracts to facilitate exploration, while other states rely on voluntary pooling of lands and leases. In some instances, forced pooling or unitization may be implemented by third parties and may reduce our interest in the unitized properties. In addition, state conservation laws establish maximum rates of production from oil and natural gas wells, generally prohibit the venting or flaring of natural gas and impose requirements regarding the ratability of production. These laws and regulations may limit the amount of oil and natural gas we can produce from our wells or limit the number of wells or the locations at which we can drill. Moreover, each state generally imposes a production or severance tax with respect to the production and sale of oil, natural gas and NGLs within its jurisdiction.

Natural Gas Regulation

The availability, terms and cost of transportation significantly affect sales of natural gas. The interstate transportation and sale for resale of natural gas is subject to federal regulation, including regulation of the terms, conditions and rates for interstate transportation, storage and various other matters, primarily by the Federal Energy Regulatory Commission. Federal and state regulations govern the price and terms for access to natural gas pipeline transportation. The Federal Energy Regulatory Commission s regulations for interstate natural gas transmission in some circumstances may also affect the intrastate transportation of natural gas.

Although natural gas prices are currently unregulated, Congress historically has been active in the area of natural gas regulation. We cannot predict whether new legislation to regulate natural gas might be proposed, what proposals, if any, might actually be enacted by Congress or the various state legislatures, and what effect, if any, the proposals might have on the operations of our properties. Sales of condensate and NGLs are not currently regulated and are made at market prices.

State Regulation

The various states regulate the drilling for, and the production, gathering and sale of, oil and natural gas, including imposing severance taxes and requirements for obtaining drilling permits. For example, Texas currently imposes a 4.6% severance tax on oil production and a 7.5% severance tax on natural gas production. States also regulate the method of developing new fields, the spacing and operation of wells and the prevention of waste of natural gas resources. States may regulate rates of production and may establish maximum daily production allowables from natural gas wells based on market demand or resource conservation, or both. States do not regulate wellhead prices or engage in other similar direct economic regulation, but there can be no assurance that they will not do so in the future. The effect of these regulations may be to limit the amount of natural gas that may be produced from our wells and to limit the number of wells or locations we can drill.

The oil and natural gas industry is also subject to compliance with various other federal, state and local regulations and laws. Some of those laws relate to resource conservation and equal employment opportunity. We do not believe that compliance with these laws will have a material adverse effect on us.

Table of Contents

Employees

Immediately prior to the closing of this offering we will have no employees and will enter into a services agreement with SOG pursuant to which SOG will perform services for us, including the operation of our properties. Please read Certain Relationships and Related Party Transactions Agreements Governing the Transaction Operational and Licensing Agreements.

As of September 30, 2011, SOG had approximately 70 employees, including 6 engineers, 11 geoscientists and 5 land professionals. None of these employees are represented by labor unions or covered by any collective bargaining agreement. We believe that SOG s relations with its employees are satisfactory.

We will also contract for the services of independent consultants involved in land, engineering, regulatory, accounting, financial and other disciplines as needed.

Offices

For our principal offices, we currently share offices with other members of the Sanchez Group under a lease entered into by SOG covering approximately 27,500 square feet of office space in Houston, Texas at 1111 Bagby Street, Suite 1600, Houston, Texas 77002. SOG s lease expires in April 2013 and is currently being re-negotiated. SOG also maintains offices in Laredo and San Antonio, Texas.

Legal Proceedings

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not currently a party to any material legal proceedings. In addition, we are not aware of any significant legal or governmental proceedings against us, or contemplated to be brought against us, under the various environmental protection statutes to which we are subject.

Table of Contents

MANAGEMENT

Directors and Executive Officers

Set forth below is certain information regarding persons who serve as our executive officers and directors. Prior to the completion of this offering, we may appoint additional persons to serve as our executive officers and directors upon completion of this offering.

Name	Age	Position
Antonio R. Sanchez, III	37	President, Chief Executive Officer, and Chairman of the Board of Directors
Michael G. Long	59	Senior Vice President, Chief Financial Officer and Secretary
Gilbert A. Garcia	48	Director Nominee

Antonio R. Sanchez, III

Mr. Sanchez is the President of SOG, which he joined in October 2001, a Managing Director of SEP I, and the President of SEP Management I, LLC, the general partner of SEP I. In his capacities as an officer of these members of the Sanchez Group, Mr. Sanchez manages all aspects of their daily operations, including exploration, production, engineering and land management. From 1997 to 1999, Mr. Sanchez was an investment banker specializing in mergers and acquisitions with J.P. Morgan Securities Inc. From 1999 to 2001, Mr. Sanchez worked in a variety of positions, including sales and marketing, product development and investor relations, at Zix Corporation, a publicly traded encryption technology company listed on the Nasdaq Global Market. Mr. Sanchez has also been a member of the Board of Directors of Zix Corporation since May 2003. He earned a Bachelor of Business Administration degree from Georgetown University with a concentration in accounting and finance and a minor in economics and a Master of Business Administration degree from the Harvard Business School.

Mr. Sanchez has significant experience managing oil and gas operations and being a member of the board of directors of a publicly traded company as well as extensive knowledge of the energy industry. For these reasons, we believe Mr. Sanchez is qualified to serve as a director of the company.

Michael G. Long

Mr. Long is the Senior Vice President, Chief Financial Officer and Secretary of SOG, which he joined in June 2008. Mr. Long has more than 30 years of experience in the energy industry and has served in various senior positions with private and public oil and natural gas companies. Prior to joining SOG, Mr. Long was the Chief Financial Officer and Executive Vice President for Edge Petroleum Corp. for 12 years until May 2008. Edge Petroleum Corp. filed for Chapter 11 bankruptcy protection in October 2009. From 1996 to 1997, Mr. Long was the Vice President of Finance for W&T Offshore Incorporated. Mr. Long began his professional career as an economist for Amoco Corporation. He earned his Bachelor of Arts in Political Science and Master of Science in Economics from the University of Illinois at Urbana.

Gilbert A. Garcia

Mr. Garcia has agreed to join our board of directors prior to or on the date of the listing of our common stock with the NYSE. Mr. Garcia is the Managing Partner of Garcia Hamilton & Associates, L.P., an institutional asset management firm, which he joined in 2002 and where he supervises all facets of the firm s investment decisions. Prior to joining Garcia Hamilton & Associates, L.P., Mr. Garcia worked at two other institutional asset management firms, Smith Graham & Company, where Mr. Garcia was most recently the Chief Investment Officer, and Cisneros Asset Management, where he was most recently President. Mr. Garcia started his professional career with Salomon Brothers specializing in mortgage-backed securities. Mr. Garcia received his Bachelor of Arts in Economics from Yale University.

Table of Contents

We believe that Mr. Garcia is well qualified to serve as a member of our board. In addition to his professional experience, Mr. Garcia also has extensive experience serving in leadership positions of community organizations, including as the Chairman of the Metropolitan Transit Authority of Harris County, Texas. We believe that Mr. Garcia s executive experience, including through his service on community organizations, provides valuable financial and management experience that will be critical to his ability to identify, understand and address the challenges and opportunities that we will face as a public company.

Board Composition

Our business and affairs will be managed under the direction of our board of directors. Immediately following the completion of this offering, we expect that at least one member of our board of directors will be independent under applicable rules of the NYSE. Within one year following the completion of this offering, the board of directors will include three independent directors under applicable rules of the NYSE. The directors will have discretion to increase or decrease the size of the board of directors.

Mr. Garcia is expected to join our board of directors prior to or on the date of the listing of our shares on the NYSE. Our board of directors has determined that Mr. Garcia satisfies the NYSE and SEC independence requirements.

In evaluating director candidates, we will assess whether a candidate possesses the integrity, judgment, knowledge, experience, skill and expertise that are likely to enhance the ability of the board of directors to manage and direct our affairs and business, including, when applicable, to enhance the ability of committees of the board to fulfill their duties. We have no minimum qualifications for director candidates. In general, however, we will review and evaluate both incumbent and potential new directors in an effort to achieve diversity of skills and experience among our directors and in light of the following criteria:

- experience in business, government, education, technology or public interests;
- high-level managerial experience in large organizations;
- breadth of knowledge regarding our business or industry;
- specific skills, experience or expertise related to an area of importance to us, such as energy production, consumption, distribution or transportation, government, policy, finance or law;
- moral character and integrity;
- commitment to our stockholders interests;
- ability to provide insights and practical wisdom based on experience and expertise;
- ability to read and understand financial statements; and
- ability to devote the time necessary to carry out the duties of a director, including attendance at meetings and consultation on company matters.

Although we do not have a policy in regard to the consideration of diversity in identifying director nominees, qualified candidates for nomination to the board are considered without regard to race, color, religion, gender, ancestry or national origin.

Status as a Controlled Company

Upon completion of this offering, SEP I will control a majority of the voting power for the election of our directors, and we will therefore be a controlled company under NYSE corporate governance standards. A controlled company need not comply with NYSE corporate governance rules that require its board of directors to have a majority of independent directors and independent compensation and nominating and corporate governance committees. We intend to avail ourselves of the controlled company exception under the NYSE corporate governance standards. Notwithstanding our status as a controlled company, we will remain subject to the NYSE corporate governance standard that requires us to have an audit committee composed entirely of independent directors. As a result, we must have at least one independent director on our audit committee by the date our common stock is listed on the NYSE, or the listing date, at least two independent directors within 90 days of the listing date and at least three independent directors within one year of the listing date. We expect that Mr. Garcia will serve as the initial independent member of the audit committee.

Audit Committee

In connection with the completion of this offering, our board of directors will establish an audit committee. The audit committee will assist the board in its oversight of the integrity of our financial statements and our compliance with legal and regulatory requirements and company policies and controls. The audit committee will have the sole authority to, among other things:

- retain and terminate our independent registered public accounting firm;
- approve all auditing services and related fees and the terms thereof performed by our independent registered public accounting firm; and
- establish policies and procedures for the pre-approval of all non-audit services and tax services to be rendered by our independent registered public accounting firm.

The audit committee will also be responsible for confirming the independence and objectivity of our independent registered public accounting firm. Our independent registered public accounting firm will be given unrestricted access to the audit committee and our management, as necessary.

In compliance with the requirements of the NYSE, a majority of the members of the audit committee will be independent directors within 90 days of listing on the NYSE and all of the members of the audit committee will be independent directors within 12 months of listing on the NYSE. We expect that Mr. Garcia will serve as the initial independent member of the audit committee.

Board Leadership Structure and Role in Risk Oversight

Our board of directors believes that whether the offices of chairman of the board and chief executive officer are combined or separated should be decided by the board, from time to time, in its business judgment after considering relevant circumstances.

The management of enterprise-level risk may be defined as the process of identifying, managing and monitoring events that present opportunities and risks with respect to the creation of value for our stockholders. The board has delegated to management the primary responsibility for enterprise-level risk management, while the board has retained responsibility for oversight of management in that regard. Management will offer an enterprise-level risk assessment to the board at least once every year.

Executive Compensation

We were formed in August 2011 and have incurred no cost or liability with respect to compensation, management incentive or retirement benefits for our executive officers for the fiscal year ended December 31, 2010 or for any prior periods. Accordingly, we are not presenting any compensation for historical periods.

Director Compensation

Our officers or employees who also serve as our directors will not receive additional compensation for their service as a director. Our directors who are not our officers or employees will receive compensation as non-employee directors. We expect that each non-employee director will receive an annual retainer, an

95

additional retainer for service as the chair of a standing committee and meeting attendance fees. We also expect to grant equity-based awards to non-employee directors upon appointment to the board or as of the completion of this offering and on an annual basis. Non-employee directors will be reimbursed for all out-of-pocket expenses incurred in connection with attending board or committee meetings. Each director will be indemnified for his actions associated with being a director to the fullest extent permitted under Delaware law.

Compensation Discussion and Analysis

All of our executive officers will be compensated by SOG and all of the other employees necessary to operate our business will be employed and compensated by SOG, subject to reimbursement by us to the extent provided for in the services agreement. Please read Certain Relationships and Related Party Transactions Agreements Governing the Transaction Operational and Licensing Agreements. SOG will have responsibility and authority for compensation related decisions for our executive officers. Because it is a private company, SOG has not historically had any formal compensation policies or practices. Rather, all compensation decisions, including those for our executive officers, have been made at the discretion of its managers.

We expect that the future compensation of our executive and non-executive officers will include a significant component of incentive compensation based on our performance. We expect to employ a compensation philosophy that will emphasize pay-for-performance, which will be based on a combination of our performance and the individual s impact on our performance and will place the majority of each officer s compensation at risk. The performance metrics governing incentive compensation will not be tied in any way to the performance of entities other than us specifically, such performance metrics will not be tied in any way to the performance of SEP I or any other affiliate of ours. We believe this pay-for-performance approach generally aligns the interests of our executive officers with that of our stockholders, and at the same time enables us to maintain a lower level of base overhead in the event our operating and financial performance fails to meet expectations. We will design our executive compensation to attract and retain individuals with the background and skills necessary to successfully execute our business model in a demanding environment, to motivate those individuals to reach near-term and long-term goals in a way that aligns their interest with that of our stockholders, and to reward success in reaching such goals.

We expect that we will use three primary elements of compensation to fulfill that design salary, cash bonus and long-term equity incentive awards. Cash bonuses and equity incentives (as opposed to salary) represent the performance driven elements. They are also flexible in application and can be tailored to meet our objectives. The determination of specific individuals cash bonuses reflects their relative contribution to achieving or exceeding annual goals, and the determination of specific individuals long-term incentive awards is based on their expected contribution in respect of longer term performance objectives.

We do not intend to establish a defined benefit or pension plan for our executive officers, because we believe such plans primarily reward longevity rather than performance. SOG provides a basic benefits package generally to all employees, which includes a 401(k) plan and health, disability and life insurance. Employees provided to us under the services agreement will be entitled to the same basic benefits.

Employment and Severance Agreements

We do not currently intend to enter into any employment or severance agreements with any of our executive officers. However, prior to the time we cease to be a controlled company, we may consider whether entering into employment or severance agreements with our executive officers is appropriate.

Long Term Incentive Plan

We intend to adopt the Sanchez Energy Corporation 2011 Long Term Incentive Plan for our employees, directors and consultants who perform services for us. To date, no awards have been made under the Long Term Incentive Plan. The description of the Long Term Incentive Plan set forth below is a summary of the material features of the Long Term Incentive Plan. This summary, however, does not purport to be a complete description of all the provisions of the Long Term Incentive Plan. This summary is qualified in its entirety by reference to the Long Term Incentive Plan.

The Long Term Incentive Plan may consist of restricted shares, phantom shares, share options, share appreciation rights and other share-based awards. Prior to the completion of this offering, the Long Term Incentive Plan will limit the number of shares that may be delivered pursuant to awards under the plan to 12% of our issued and outstanding shares of common stock as of the date of the adoption of the plan. Following the completion of this offering, the number of shares that may be delivered pursuant to awards under the Long Term Incentive Plan will be limited to 12% of our issued and outstanding shares of common stock immediately following the completion of this offering. The maximum number of shares deliverable under the Long Term Incentive Plan automatically increases to 12% of the issued and outstanding shares of common stock immediately after each issuance of common stock, unless our board of directors determines to increase the maximum number of shares of common stock deliverable by a lesser amount. Shares withheld to satisfy tax withholding obligations will not be considered to be delivered under the Long Term Incentive Plan. In addition, if an award is forfeited, canceled, exercised, paid or otherwise terminates or expires without the delivery of shares, the shares subject to such award will again be available for new awards under the Long Term Incentive Plan. Shares to be delivered pursuant to awards under the Long Term Incentive Plan may be newly issued shares, shares acquired by us in the open market, shares acquired by us from any other person, or any combination of the foregoing. If we issue new shares upon vesting of the phantom shares, the total number of shares outstanding will increase.

Administration

The Long Term Incentive Plan will be administered by our board of directors. Our board of directors may terminate or amend the Long Term Incentive Plan at any time with respect to any shares for which a grant has not yet been made. Our board of directors will also have the right to alter or amend the Long Term Incentive Plan or any part of the Long Term Incentive Plan from time to time, including increasing the number of shares that may be granted, subject to shareholder approval as may be required by the exchange upon which the common shares are listed at that time, if any. No change may be made in any outstanding grant that would materially reduce the benefits of the participant without the consent of the participant. The Long Term Incentive Plan will expire upon its termination by the board of directors or, if earlier, when no shares remain available under the Long Term Incentive Plan for awards. Upon termination of the Long Term Incentive Plan, awards then outstanding will continue pursuant to the terms of their grants.

Restricted Stock

Restricted stock is common stock that vests over a period of time and that during such time is subject to forfeiture. In the future, the plan administrator may determine to make grants of restricted stock under the Long Term Incentive Plan to employees, directors and consultants, containing such terms as the plan administrator determines. The plan administrator will determine the period over which restricted stock may vest. The plan administrator, in its discretion, may base its determination upon the achievement of specified financial goals or other events. In addition, the restricted stock may vest upon a change in control. Dividends made on restricted stock may be subjected to vesting provisions. If a grantee s employment, consulting arrangement or membership on the board of directors terminates during the restricted period for any reason, the grantee s restricted stock may be automatically forfeited unless, and to the extent, the plan administrator or the terms of the award agreement provide otherwise.

Phantom Stock

Phantom stock entitles the grantee to receive a share of common stock upon the vesting of the phantom stock or, in the discretion of the plan administrator, cash equivalent to the fair market value of a share of common stock. In the future, the plan administrator may determine to make grants of phantom stock under the Long Term

Table of Contents

Incentive Plan to employees, consultants and directors containing such terms as the plan administrator determines. The plan administrator will determine the period over which phantom stock granted may vest. The plan administrator, in its discretion, may base its determination upon the achievement of specified financial goals or other events. In addition, the phantom stock may vest upon a change in control. If a grantee s employment, consulting arrangement or membership on the board of directors terminates for any reason during the restricted period, the grantee s phantom stock will be automatically forfeited unless, and to the extent, the plan administrator or the terms of the award agreement provide otherwise.

We intend the grant of restricted stock and issuance of any shares of common stock upon vesting of the phantom stock under the Long Term Incentive Plan to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of our common stock. Therefore, plan participants will not pay any consideration for the common stock they receive, and we will receive no remuneration for the stock.

Stock Options and Stock Appreciation Rights

The Long Term Incentive Plan will also permit the grant of options covering common stock and stock appreciation rights. Stock options represent the right to purchase a number of shares of common stock at a specified exercise price. Stock appreciation rights represent the right to receive the appreciation in the value of a number of shares of common stock over a specified exercise price, either in cash or in common stock as determined by the plan administrator. Stock options and stock appreciation rights may be granted to such eligible individuals and with such terms as the plan administrator may determine that are not inconsistent with the Long Term Incentive Plan. However, the exercise price of a stock option or stock appreciation right may not be less than the fair market value of a share of common stock on the date of grant.

In general, stock options and stock appreciation rights will become exercisable over a period determined by the plan administrator. The plan administrator, in its discretion, may provide that stock options and stock appreciation rights will become exercisable upon a change in control. If a grantee s employment, consulting arrangement or membership on the board of directors terminates for any reason during the restricted period, the grantee s unvested stock options and stock appreciation rights will be automatically forfeited unless, and to the extent, the award agreement or plan administrator provides otherwise. The plan administrator will determine the method or methods that may be used to pay the exercise price of stock options. The availability of stock options and stock appreciation rights is intended to furnish additional compensation to participants and to align their interests with those of our stockholders.

Relation of Compensation Policies and Practices to Risk Management

We expect our compensation arrangements to contain a number of design elements that serve to minimize the incentive for taking excessive or inappropriate risk to achieve short-term, unsustainable results. In combination with our risk-management practices, we do not believe that risks arising from our compensation policies and practices for our employees are reasonably likely to have a material adverse effect on us.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our shares following the completion of this offering and assuming the underwriters do not exercise their option to purchase additional shares from us by:

- each person or group of persons known by us to be a beneficial owner of more than 5% of our outstanding common stock;
- each of our directors and director nominees;
- each of our executive officers; and
- all of our directors and executive officers as a group.

Name and Address of Beneficial Owner[(1)]	Shares to be Beneficially Owned	Percentage of Shares to be Beneficially Owned[(2)]
Sanchez Energy Partners I, LP[(3)]	22,200,000	67.3%
Antonio R. Sanchez, III[(3)]	22,200,000	67.3%
Michael G. Long	*	*%
Gilbert A. Garcia[(4)]	*	*%
All directors and executive officers as a group (2 persons)	*	*%

* Less than 1.0%

(1) Unless otherwise indicated, the address for all beneficial owners in this table is 1111 Bagby Street, Suite 1600, Houston, Texas 77002.

(2) Based on 33,000,000 shares outstanding immediately following the completion of this offering.

(3) These shares are owned directly by SEP I. SEP I is controlled by its general partner, SEP Management I, LLC, which is a wholly owned subsidiary of SOG. SOG is managed by A.R. Sanchez, Jr. and Antonio R. Sanchez, III. Mr. Antonio R. Sanchez, III, who is also our President, Chief Executive Officer and Chairman of the Board of Directors, shares voting and dispositive power over the shares controlled by SEP I. The number of shares to be beneficially owned by SEP I is based on an initial offering price of $25.00 per share (the midpoint of the price range set forth on the cover page of this prospectus). The number of shares of common stock beneficially owned by SEP I will be reduced by one-half of the number of shares purchased by the underwriters if the underwriters exercise their option to purchase additional shares of common stock from us. If the underwriters exercise in full their option to purchase up to an additional 1,500,000 shares of common stock, SEP I would beneficially own 21,450,000 shares of common stock, or 63.6%, following completion of this offering, assuming an initial public offering price of $25.00 per share (the midpoint of the price range set forth on the cover page of this prospectus). Please read Prospectus Summary Formation Transactions and The Offering for a description of the Marquis acquisition and the underwriters option to purchase additional shares of common stock.

(4) Mr. Garcia is a nominee for our board of directors.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

After this offering, and assuming the underwriters do not exercise their option to purchase additional shares from us, SEP I will own approximately 67.3% of our outstanding common stock assuming an initial public offering price of $25.00 per share (the midpoint of the price range set forth on the cover page of this prospectus).

Related Party Agreements Governing the Transaction

In connection with the closing of this offering, we, SEP I, SOG and its affiliates will enter into the various documents and agreements that will effect the transactions described in Prospectus Summary Formation Transactions. These agreements have been negotiated among affiliated parties and, consequently, are not the result of arm s-length negotiations. All of the transaction expenses incurred in connection with these transactions, including the expenses associated with transferring assets to us, will be paid from the proceeds of this offering, and we will reimburse SEP I for the fees and expenses that it paid on our behalf in connection with this offering and the formation transactions.

Contribution, Conveyance and Assumption Agreement

In connection with the closing of this offering, we will enter into a Contribution, Conveyance and Assumption Agreement, or the Contribution Agreement, pursuant to which SEP I will contribute 100% of its limited liability company interests in SEP Holdings III to us in exchange for a cash payment of $50 million and the issuance by us of 22.2 million shares of our common stock assuming an initial public offering price of $25.00 per share (the midpoint of the price range set forth on the cover page of this prospectus) and that the underwriters do not exercise their over-allotment option. An increase or decrease in the initial public offering price per share of our common stock would cause the number of shares issued to Ross Exploration to decrease or increase; since the total number of shares that we will issue to SEP I and Ross Exploration in the formation transactions is fixed, the number of shares issued to SEP I will correspondingly increase or decrease.

The Contribution Agreement will contain covenants, representations and warranties with respect to SEP Holdings III and our properties and certain other covenants that are customary for acquisitions in the oil and natural gas industry. Unlike almost all arms length transactions, almost all of the representations, warranties and covenants in the agreement will terminate at the closing of this offering (with the exception of certain fundamental representations and warranties) and substantially concurrent acquisition of 100% of the limited liability company interests of SEP Holdings III.

Subject to certain exceptions, the Contribution Agreement will contain a general release under which we will release SEP I and its affiliates, successors and assigns, and SEP I will release us and our affiliates, successors and assigns from any liabilities arising from events between us and our affiliates, on one hand, and SEP I and its affiliates, on the other, occurring on or before the closing of this offering, which would include events in connection with implementing this offering. Under the Contribution Agreement, we will be entitled to indemnification for certain liabilities, and we will be required to indemnify SEP I for certain liabilities. SEP I will be required to indemnify us and our affiliates for (i) any breach or inaccuracy of a representation or warranty of SEP I in the Contribution Agreement that survives closing, (ii) any breach of any agreement or covenant of SEP I made under the Contribution Agreement or in connection with its transactions with us, (iii) a period of one year following the closing, any breach or violation of an environmental law by SEP I or its affiliates with respect to the contributed properties and assets that occurred prior to the closing, and (iv) certain tax liabilities attributable to SEP Holdings III or its properties or assets prior to the closing. We, on the other hand, will be required to indemnify SEP I and its affiliates for (a) the ownership of SEP Holdings III or its properties and assets and the operation of SEP Holdings III after closing, except to the extent SEP I may be required to indemnify us, (b) any breach or inaccuracy by us of representation or warranty in the Contribution Agreement that survives closing, (c) any breach of any agreement or covenant of ours made under the Contribution Agreement or in connection with its transactions with us, or (d) certain tax liabilities attributable to SEP Holdings III or its properties or assets after the closing.

Neither we nor SEP I will be required to indemnify the other unless damages with respect to a claim exceed $100,000 and the damages for all claims exceed $2,000,000, and then only for such excess amount up to $10 million.

However, the deductible does not apply to certain fundamental representations or warranties which will survive closing (such as those relating to organization, authority and approval) and the $10 million ceiling does not apply to our obligation to indemnify SEP I for post-closing liabilities associated with SEP Holdings III after closing or our representations and warranties regarding authorization and valid issuance of our shares of common stock, nor does it apply to SEP I s representations and warranties with respect to title to the limited liability company interests of SEP Holdings III; provided, that the maximum amount we or SEP I may be liable for such representations and warranties will be the aggregate value of the consideration paid to SEP I for the limited liability company interests of SEP III, less any other indemnification payments under the Contribution Agreement.

Operational and Licensing Agreements

Concurrently with the closing of this offering, we will enter into a services agreement with SOG pursuant to which we anticipate that specified employees of SOG will be provided to us to provide certain services to us with respect to our business under the direction, supervision and control of SOG. We will compensate SOG for the provision of services to us at a price equal to SOG s cost of providing such services, including all direct costs and indirect administrative and overhead costs (including the allocable portion of salary, bonus, incentive compensation and other amounts paid to persons that provide the services on SOG s behalf) allocated in accordance with SOG s regular and consistent accounting practices, including for any such costs arising from amounts paid directly by other members of the Sanchez Group on SOG s behalf or borrowed by SOG from other members of the Sanchez Group, in each case in connection with the performance by SOG of services on our behalf. We will also reimburse SOG for sales, use or other taxes, or other fees or assessments imposed by law in connection with the provision of services to us (other than income, franchise or margin taxes measured by SOG s net income or margin and other than any gross receipts or other privilege taxes imposed on SOG) and for any costs and expenses arising from or related to the engagement or retention of third party service providers. For the 12 months ending December 31, 2012, we estimate that we will be required to reimburse SOG approximately $6.5 million for administrative and overhead expenses, including incremental costs and expenses we will incur as a result of being a publicly traded corporation.

The initial term of the services agreement will be five years. The term will automatically extend for additional 12-month periods unless either party provides 180 days written notice otherwise prior to the expiration of the applicable 12-month period. Either party may terminate the agreement at any time upon 180 days written notice.

Pursuant to these arrangements, SOG will perform centralized corporate functions for us, such as general and administrative services, geological, geophysical and reserve engineering, lease and land administration, marketing, accounting, operational services, information technology services, compliance, insurance maintenance and management of outside professionals. SOG will agree to perform services for us consistent with management and administrative practices that it would provide for itself in the performance of similar services and to conduct its operations on our properties in a good and workmanlike manner and in compliance with the terms and conditions of applicable agreements and legal requirements. SOG will only be liable to us, and then only to a limited extent, in connection with the performance of services to us in the event of its or its affiliates gross negligence or willful misconduct. In particular, in most instances SOG s liability as a result of such gross negligence or willful misconduct will be limited to an amount not to exceed the lesser of (i) the price paid by us for the particular service, (ii) the cost of performing the particular service ourselves during the remainder of the term of the services agreement or (iii) SOG s cost of obtaining the particular service from a third party during the remainder of the term of the services agreement.

In connection with the services agreement SOG will enter into a licensing agreement with us pursuant to which it will grant to us a license to the unrestricted proprietary seismic, geological and geophysical information related to our properties owned by SOG, and all such information related to our properties not otherwise licensed to us will be interpreted and used by SOG for our benefit under the services agreement. In addition, also in connection with the services agreement, SOG will enter into a contract operating agreement under which it will agree to develop, manage and operate our properties or engage a responsible unaffiliated industry operator and

Table of Contents

joint owner for such development, management and operation. No costs, fees or other expenses are payable by us under this agreement to the extent that they are included in the fee payable to SOG under the services agreement. The licensing agreement and contract operating agreement will terminate concurrently with the termination or expiration of the services agreement.

Under the services agreement, we will be entitled to indemnification for certain liabilities, and we will be required to indemnify SEP I for certain liabilities. SOG will be required to indemnify us for third party infringement or misappropriation claims relating to the services performed by SOG, the data or other information provided to us or used by SOG in connection with the services, the licensing agreement or our operations based on the services provided by SOG. We, on the other hand, will otherwise be required to indemnify SOG and its affiliates from liabilities relating to the services or products provided to us by SOG or our agreements with SOG, to the extent not directly caused by the gross negligence or willful misconduct of SOG or its affiliates.

Registration Rights Agreement

In connection with the Contribution Agreement, we will enter into a registration rights agreement with SEP I. The shares of our common stock held at any time by SEP I or, subject to compliance with the assignment provisions of the agreement, any other person that is the beneficial owner of our common stock as a result of the sale, assignment or other transfer of such common stock originally issued by us to SEP I are referred to as Registrable Securities. Under the registration rights agreement, SEP I and its transferees will be granted certain demand, piggyback and Form S-3 registration rights relating to the resale of Registrable Securities pursuant to which we will be required to use our best efforts to effect the registration of such Registrable Securities on the applicable form or to include such Registrable Securities in such registration or offering on the same terms and conditions as such other securities being registered, as applicable. These registration rights will be subject to conditions and limitations, including the lock-up agreements described under Underwriting and Conflicts of Interest in this prospectus, the total number of demand registrations that we are required to effect, the right of the managing underwriter or underwriters to limit the number of shares to be included in a registration and our right to delay or withdraw a registration statement under specified circumstances. We will pay all expenses relating to any demand, piggyback or Form S-3 registration, except for any underwriter or brokers discounts or commissions. We will also agree to indemnify the holders of Registrable Securities with respect to certain liabilities under the securities laws in connection with registrations pursuant to the registration rights agreement.

Indemnification Agreements

In connection with the closing of this offering, we will enter into indemnification agreements with each of our directors and executive officers. These indemnification agreements will require us to, among other things, indemnify these individuals against certain liabilities that may arise in connection with their status or service as one of our directors or executive officers or in their capacity at other specified entities at which they serve at our request and to advance their expenses incurred as a result of any proceeding for which they may be entitled to indemnification. These indemnification agreements are intended to provide indemnification rights to the fullest extent permitted under the DGCL and are in addition to any other rights these individuals may have under our organizational documents or applicable law.

Review, Approval or Ratification of Transactions with Related Persons

A Related Party Transaction is a transaction, arrangement or relationship in which we or any of our subsidiaries was, is or will be a participant, the amount of which involved exceeds $120,000, and in which any related person had, has or will have a direct or indirect material interest. A related person means:

- any person who is, or at any time during the applicable period was, one of our executive officers or one of our directors or is currently one of our nominees for director;

- any person who is known by us to be the beneficial owner of more than 5% of our common stock;

Table of Contents

any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a director, executive officer or a beneficial owner of more than 5% of our common stock, and any person (other than a tenant or employee) sharing the household of such director, director nominee, executive officer or beneficial owner of more than 5% of our common stock;

any entity in which any of the foregoing persons serves as an executive officer or principal or in a similar position, or, in the case of a partnership, serves as a general partner or holds any position other than that of a limited partner;

any entity in which any of the foregoing persons owns, together with all other foregoing persons, 10% or more of the equity interest, or in the case of a partnership, 10% or more of an interest; or

any entity in which any of the foregoing persons is employed if (a) the person is directly involved in the negotiation of the Related Party Transaction or will have or share primary responsibility at such entity for the performance of the Related Party Transaction, or (b) the person s compensation from the entity is directly tied to the Related Party Transaction.

Our board of directors will adopt a written related party transactions policy prior to the completion of this offering. Pursuant to this policy, the Audit Committee will review all material facts of all Related Party Transactions and either approve or disapprove entry into the Related Party Transaction, subject to certain limited exceptions. In determining whether to approve or disapprove entry into a Related Party Transaction, the Audit Committee shall take into account, among other factors, the following: (1) whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and (2) the extent of the Related Person s interest in the transaction. Further, the policy will require that all Related Party Transactions required to be disclosed in our filings with the SEC be so disclosed in accordance with applicable laws, rules and regulations.

The Audit Committee will review and, if it so determines, approve future acquisitions of oil and natural gas properties from members of the Sanchez Group. In addition to acquisitions from members of the Sanchez Group, to the extent we act jointly to acquire additional oil and natural gas properties with members of the Sanchez Group, the Audit Committee will review and, if it so determines, approve such transactions. In the case of any sale of equity or debt by us to any member of the Sanchez Group, we anticipate that our practice will be to obtain the approval of the Audit Committee. The Audit Committee will be entitled to hire its own financial and legal advisors in connection with its review of any related party transaction.

The members of the Sanchez Group are free to offer properties to us on terms they deem acceptable, and our Audit Committee is free to accept or reject any such offers, negotiating terms it deems acceptable to us. As a result, our Audit Committee will decide, in its sole discretion, the appropriate value of any assets offered to us by the members of the Sanchez Group. In so doing, we expect the Audit Committee will consider a number of factors in its determination of value, including, without limitation, production and reserve data, operating cost structure, current and projected cash flows, financing costs, production decline profile, commodity price outlook, reserve life, future drilling inventory and the weighting of the expected production between oil and natural gas.

We expect that the members of the Sanchez Group will consider a number of the same factors considered by the Audit Committee to determine the proposed purchase price of any assets they may offer to us in future periods. In addition to these factors, given that SEP I, an affiliate of SOG, will be our largest stockholder following the consummation of this offering, we expect that the members of the Sanchez Group may consider the potential positive impact on our valuation and offer properties to us at attractive purchase prices. Likewise, we expect that the members of the Sanchez Group may consider the potential negative impact on our valuation if we are unable to acquire additional assets on favorable terms, including the negotiated purchase price.

Table of Contents

DESCRIPTION OF CAPITAL STOCK

In connection with the completion of this offering, we will amend and restate our certificate of incorporation and bylaws. The following discussion is a summary of the terms of our capital stock that will be contained in our amended and restated certificate of incorporation and our amended and restated bylaws and does not purport to be complete and is qualified in its entirety by reference to the provisions of applicable law and to our amended and restated certificate of incorporation and amended and restated bylaws, which are filed as exhibits to the registration statement of which this prospectus is a part.

Common Stock

Upon completion of this offering, our authorized capital stock will consist of 150,000,000 shares of common stock, $0.01 par value per share, of which 33 million shares will be issued and outstanding, and 15,000,000 shares of preferred stock, $0.01 par value per share, of which no shares will be issued and outstanding.

Holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, and do not have cumulative voting rights. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by our board of directors out of funds legally available for dividend payments. All outstanding shares of common stock are fully paid and non-assessable, and the shares of common stock to be issued upon completion of this offering will be fully paid and non-assessable. The holders of common stock have no preferences or rights of conversion, exchange, pre-emption or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. In the event of any liquidation, dissolution or winding-up of our affairs, holders of common stock will be entitled to share ratably in our assets that are remaining after payment or provision for payment of all of our debts and obligations and after liquidation payments to holders of outstanding shares of preferred stock, if any.

Preferred Stock

Our amended and restated certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time one or more classes or series of preferred stock, par value $0.01 per share, covering up to an aggregate of 15,000,000 shares of preferred stock. Each class or series of preferred stock will cover the number of shares and will have preferences, voting powers, qualifications and special or relative rights or privileges determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights.

Anti-Takeover Effects of Provisions of Our Amended and Restated Certificate of Incorporation, our Amended and Restated Bylaws and Delaware Law

Some provisions of Delaware law, and our amended and restated certificate of incorporation and our amended and restated bylaws described below, will contain provisions that could make the following transactions more difficult: acquisitions of us by means of a tender offer, a proxy contest or otherwise; or removal of our incumbent officers and directors. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions that might result in a premium over the market price for our shares.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection and our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Table of Contents

Delaware Law

We will be subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, those provisions prohibit a Delaware corporation, including those whose securities are listed for trading on the NYSE, from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- the transaction is approved by the board of directors before the date the interested stockholder attained that status;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or after such time the business combination is approved by the board of directors and authorized at a meeting of stockholders by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any of these entities or persons.

A Delaware corporation may opt out of Section 203 with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from amendments approved by the holders of at least a majority of the corporation s outstanding voting shares. We do not intend to opt out of the provisions of Section 203. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Among other things, upon the completion of this offering, our amended and restated certificate of incorporation and amended and restated bylaws will:

establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. Our amended and restated bylaws specify the requirements as to form and content of all stockholders notices. These requirements may preclude stockholders from bringing matters before the stockholders at an annual or special meeting;

provide our board of directors the ability to authorize undesignated preferred stock. This ability makes it possible for our board of directors to issue, without stockholder approval, preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of our company;

provide that the authorized number of directors may be changed only by resolution of the board of directors;

provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;

provide that, until the first date that the members of the Sanchez Group cease to beneficially own, in the aggregate, shares of our capital stock representing 50% or more of the voting power of all then outstanding shares of our capital stock entitled to vote generally in the election of directors, which we refer to as the trigger date, any or all of the directors may be removed from office at any time, with or without cause by the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of our capital stock entitled to vote generally in the election of directors, voting together as a single class. On and after the trigger date, the affirmative vote of the holders of at least 75% in voting power of all then outstanding shares of our capital stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to remove any or all of the directors from office at any time;

provide that, on and after the trigger date, our board of directors will be divided into three classes with each class serving staggered three year terms;

provide that, until the trigger date, we will call special meetings at the request of stockholders holding not less than a majority in voting power of all then outstanding shares of our capital stock entitled to vote generally in the election of directors. On and after the trigger date, special meetings of our stockholders may only be called by our Chairman of the Board, Chief Executive Officer, President or pursuant to a resolution adopted by our board of directors;

provide that, until the trigger date, any action required or permitted to be taken by our stockholders may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action to be taken, are signed by the holders of outstanding stock having not less than the minimum number of votes necessary to authorize such action. Based on its anticipated ownership after this offering, upon approval and recommendation by our board of directors, SEP I will have enough shares of our common stock to approve an amendment to our amended and restated certificate of incorporation until the disposition of our common stock owned by it. That, coupled with its ability to take action by written consent, may have the effect of delaying, deterring, or preventing a tender offer or takeover attempt that a stockholder might consider in its best interest. On and after the trigger date, and subject to the terms of any series of preferred stock, any action required or permitted to be taken by our stockholders must be effected at an annual or special meeting of the stockholders and may not be effected by written consent in lieu of a meeting; and

Table of Contents

provide that, until the trigger date, our amended and restated certificate of incorporation and amended and restated bylaws may be amended, altered, or repealed by the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of our capital stock entitled to vote generally at the election of directors. On and after the trigger date, the affirmative vote of the holders of at least 75% in the voting power of all then outstanding shares of our capital stock entitled to vote generally in the election of directors will be required to amend, alter, or repeal certain provisions of our amended and restated certificate of incorporation or any provision of our amended and restated bylaws. The board of directors can also unilaterally amend, alter, or repeal our amended and restated bylaws with the affirmative vote of a majority of the entire board of directors.

Limitation of Liability and Indemnification Matters

Our amended and restated certificate of incorporation limits the liability of our directors for monetary damages for breach of their fiduciary duty as directors, except for liability that cannot be eliminated under the DGCL. Delaware law provides that directors of a company will not be personally liable for monetary damages for breach of their fiduciary duty as directors, except for liabilities:

for any breach of their duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

for unlawful payment of dividend or unlawful stock repurchase or redemption, as provided under Section 174 of the DGCL; or

for any transaction from which the director derived an improper personal benefit.

Any amendment, repeal or modification of these provisions will be prospective only and would not affect any limitation on liability of a director for acts or omissions that occurred prior to any such amendment, repeal or modification.

Our amended and restated certificate of incorporation and amended and restated bylaws also provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law. Our amended and restated certificate of incorporation and amended and restated bylaws also permit us to purchase insurance on behalf of any officer, director, employee or other agent for any liability arising out of that person s actions as our officer, director, employee or agent, regardless of whether Delaware law would permit indemnification. We intend to enter into indemnification agreements with each of our current and future directors and officers. These agreements will require us to indemnify these individuals to the fullest extent permitted under Delaware law against liability that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We believe that the limitation of liability provision in our amended and restated certificate of incorporation and the indemnification agreements will facilitate our ability to continue to attract and retain qualified individuals to serve as directors and officers.

Provisions of Our Amended and Restated Certificate of Incorporation Governing Corporate Opportunities

After the completion of this offering, SEP I will remain a substantial stockholder of ours. We, SEP I and other members of the Sanchez Group are engaged in similar activities or lines of business and have an interest in the same areas of corporate opportunities. SEP I and other members of the Sanchez Group will not have a duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as us, and to the fullest extent permitted by law, neither SEP I or any other member of the Sanchez Group nor any of their directors or officers will be liable to us or our stockholders for breach of any fiduciary duty, by reason of

Table of Contents

any such activities. Additionally, if SEP I or another member of the Sanchez Group acquires knowledge of a potential transaction or matter that may be a corporate opportunity for them and us, to the fullest extent permitted by law, SEP I or such other member of the Sanchez Group will have no duty to communicate or offer such corporate opportunity to us and will not be liable to us or our stockholders for breach of any duty (fiduciary or otherwise) if SEP I or such other member of the Sanchez Group pursues or acquires such corporate opportunity for itself or directs such corporate opportunity to its affiliates. If any director or officer of SEP I or another member of the Sanchez Group who is also one of our officers or directors becomes aware of a potential business opportunity, transaction or other matter (other than one expressly offered to that director or officer in writing solely in his or her capacity as our director or officer), that director or officer will have no duty to communicate or offer that opportunity to us, and will be permitted to communicate or offer that opportunity to SEP I, such other member of the Sanchez Group or their affiliates and that director or officer will not, to the fullest extent permitted by law, be deemed to have (1) breached or acted in a manner inconsistent with or opposed to his or her fiduciary or other duties to us regarding the opportunity or (2) acted in bad faith or in a manner inconsistent with the best interests of our company or our stockholders. See Risk Factors Risks Related to Our Relationships with Members of the Sanchez Group Pursuant to the terms of the amended and restated certificate of incorporation that we will adopt in connection with the closing of this offering, SEP I and its affiliates will not be required to offer corporate opportunities to us, and our directors and officers may be permitted to offer certain corporate opportunities to SEP I or its affiliates before us.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Continental Stock Transfer & Trust Company.

Listing

Our common stock has been approved for listing on the NYSE under the symbol SN.

Table of Contents

SHARES ELIGIBLE FOR FUTURE SALE

Common stock sold in this offering will generally be freely transferable without restriction or further registration under the Securities Act, except that any shares owned by an affiliate of ours (including SEP I) may not be resold publicly except in compliance with the registration requirements of the Securities Act or under an exemption under Rule 144 of the Securities Act or otherwise. After the sale of the common stock offered hereby and the consummation of the transactions described under Prospectus Summary Formation Transactions, SEP I and Ross Exploration will hold an aggregate of 22.2 million shares (or 21.45 million shares if the underwriters exercise their over-allotment option in full) and 800,000 shares, respectively, assuming an initial public offering price of $25.00 per share (the midpoint of the price range on the cover page of this prospectus) of our common stock which will constitute restricted securities within the meaning of Rule 144 under the Securities Act. The sale of these shares under Rule 144 or otherwise, or the registration and resale of these shares pursuant to such registration, upon expiration or waiver of the 180-day lock-up period described below under Lock-Up Agreements could have an adverse impact on the price of our common stock or on any trading market that may develop.

Rule 144

In general, Rule 144 allows a stockholder (or stockholders where shares of common stock are aggregated) that has not been an affiliate of ours for the past 90 days and who has beneficially owned shares of our common stock that constitute restricted securities under Rule 144 for at least six months to sell an unlimited number of shares of our common stock without restriction, provided that at such time and for the 90 days preceding the sale we have been subject to the reporting requirements of the Exchange Act and current public information about us is available, and, after one year, an unlimited number of shares of our common stock without restriction. In certain circumstances, Rule 144 permits holders to tack the holding period of prior holders to determine the aggregate holding period of a current holder under Rule 144. Affiliates or persons who were our affiliates within the past 90 days (i) who have beneficially owned shares of our common stock that constitute restricted securities under Rule 144 for at least one year (or six months, provided that at such time and for the 90 days preceding the sale we have been subject to the reporting requirements of the Exchange Act and current public information about us is available) or (ii) whose shares of common stock do not constitute restricted securities under Rule 144 are entitled to sell within any three-month period a number of those shares that does not exceed the greater of:

- 1.0% of the total number of the securities outstanding, or
- the average weekly reported trading volume of the common stock for the four weeks prior to the sale, if at such time our stock is traded on a national securities exchange or automated quotation system of a registered securities association.

Sales under Rule 144 are also subject to specific manner of sale provisions, holding period requirements and notice requirements with respect to affiliates and persons who were our affiliates within the 90-day period prior to sale. We cannot estimate the number of shares of common stock our existing stockholders will sell under Rule 144 or otherwise dispose of in transactions exempt from registration under the Securities Act, as this amount will depend on the market price for our common stock, the personal circumstances of the stockholders and other factors.

Registration Rights

At the closing of this offering, we will enter into a registration rights agreement with SEP I providing for the registration for resale shares of our common stock held by SEP I and its transferees. Please read Certain Relationships and Related Transactions Agreements Governing the Transactions Registration Rights Agreement. Registration of the sale of these shares of our common stock will facilitate their sale into the market upon expiration or waiver of the 180-day lock up period described below under Lock-Up Agreements.

Table of Contents

Lock-Up Agreements

We, including our executive officers and directors, including our director nominee, SEP I and Ross Exploration, have agreed not to sell any shares we beneficially own for a period of 180 days from the date of this prospectus, subject to certain exceptions and extensions. For a description of these lock-up provisions, please read Underwriting and Conflicts of Interest. In addition, Ross Exploration has agreed, for one year following the closing of the Marquis acquisition, not to transfer, pledge or otherwise dispose of 50% of the shares of common stock received by it in the acquisition.

Table of Contents

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF SHARES OF OUR COMMON STOCK

Introduction

The following is a discussion of certain U.S. federal income tax considerations applicable to Non-U.S. Holders (as defined below) arising from the acquisition, ownership and disposition of shares of our common stock. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a Non-U.S. Holder as a result of the acquisition, ownership and disposition of shares of our common stock. In addition, this summary does not take into account the individual facts and circumstances of any particular Non-U.S. Holder that may affect the U.S. federal income tax considerations applicable to such holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any Non-U.S. Holder. Moreover, this summary is not binding on the Internal Revenue Service (the IRS) or the U.S. courts, and no assurance can be provided that the conclusions reached in this summary will not be challenged by the IRS or will be sustained by a U.S. court if so challenged. We have not requested, and we do not intend to request, a ruling from the IRS or an opinion from U.S. legal counsel regarding any of the U.S. federal income or other tax considerations of the acquisition, ownership and disposition of shares of our common stock. Each Non-U.S. Holder should consult its own tax advisor regarding the acquisition, ownership and disposition of shares of our common stock.

Scope of this Disclosure

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations (final, temporary, and proposed), U.S. court decisions, published IRS rulings and published administrative positions of the IRS, that are applicable and, in each case, as in effect and available, as of the date of this prospectus. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis and could affect the U.S. federal income tax considerations described in this summary.

Non-U.S. holders

For purposes of this summary, a Non-U.S. Holder is a beneficial owner of shares of our common stock that is not a partnership or other entity classified as a partnership for U.S. federal income tax purposes and that is not: (a) an individual who is a citizen or resident of the U.S., (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the U.S., including the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

Non-U.S. Holders Subject to Special U.S. Federal Income Tax Rules not Addressed

This summary does not address the U.S. federal income tax considerations of the acquisition, ownership and disposition of shares of our common stock by Non-U.S. Holders that are subject to special provisions under the Code, including the following Non-U.S. Holders: (a) Non-U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) Non-U.S. Holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies or that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (c) Non-U.S. Holders that have a functional currency other than the U.S. dollar; (d) Non-U.S. Holders that own shares of our common stock as part of a straddle, hedging transaction,

Table of Contents

conversion transaction, constructive sale, or other arrangement involving more than one position; (e) Non-U.S. Holders that acquire shares of our common stock in connection with the exercise of employee stock options or otherwise as compensation for services; (f) Non-U.S. Holders that hold shares of our common stock other than as a capital asset within the meaning of Section 1221 of the Code; (g) Non-U.S. Holders who are U.S. expatriates or former long term residents of the United States; and (h) Non-U.S. Holders that have or now own, directly, indirectly, or by attribution, 5% or more, by voting power or value, of the outstanding shares of our common stock. Non-U.S. Holders that are subject to special provisions under the Code, including but not limited to Non-U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. state and local, and foreign tax and other tax considerations of the acquisition, ownership and disposition of shares of our common stock.

If a partnership or other entity that is classified as a partnership for U.S. federal income tax purposes holds shares of our common stock, the U.S. federal income tax considerations to such partnership and the partners of such partnership generally will depend on the activities of the partnership and the status of such partners (or owners). Partnerships or other entities that are classified as partnerships for U.S. federal income tax purposes and their owners should consult their own tax advisors regarding the U.S. federal income tax considerations of the acquisition, ownership and disposition of shares of our common stock.

Tax considerations other than U.S. federal income tax considerations not addressed

This summary does not address any state, local, alternative minimum, estate and gift, foreign, or other tax considerations other than U.S. federal income tax considerations that may be relevant to Non-U.S. Holders in connection with the acquisition, ownership and disposition of shares of our common stock. Each Non-U.S. Holder should consult its own tax advisors regarding any state, local, estate and gift, foreign, and any other tax considerations that may be relevant to such holder in connection with the acquisition, ownership and disposition of shares of our common stock.

Dividends

In general, if dividends with respect to shares of our common stock are made, such dividends would be treated as dividends to the extent of our current or accumulated earnings and profits as determined under the Code. Any portion of a dividend that exceeds our current or accumulated earnings and profits will first be applied to reduce the Non-U.S. Holder s basis in shares of our common stock, and, to the extent such portion exceeds the Non-U.S. Holder s basis, the excess will be treated as gain from the disposition of shares of our common stock, the tax treatment of which is discussed below under the heading Gain on sale or other disposition of shares of our common stock.

Generally, dividends paid in respect of shares of our common stock to a Non-U.S. Holder will be subject to U.S. withholding tax at a 30% rate, subject to the two following exceptions:

Dividends effectively connected with a trade or business of a Non-U.S. Holder within the U.S. generally will not be subject to withholding if the Non-U.S. Holder complies with applicable IRS certification and disclosure requirements and generally will be subject to U.S. federal income tax on a net income basis at regular U.S. federal income tax rates (in the same manner as a U.S. person) on its U.S. trade or business income. In the case of a Non-U.S. Holder that is a corporation, such effectively connected income also may be subject to the branch profits tax at a 30% rate (or such lower rate as may be prescribed by an applicable tax treaty).

The withholding tax might not apply, or might apply at a reduced rate, under the terms of an applicable tax treaty. Under Treasury Regulations, to obtain a reduced rate of withholding under a tax treaty, a Non-U.S. Holder generally will be required to satisfy applicable certification and other requirements. A Non-U.S. Holder of shares of our common stock eligible for a reduced rate of U.S. withholding tax may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Table of Contents

Gain on Sale or Other Disposition of Shares of Our Common Stock

Except as described in the discussion below under the heading Information Reporting; Backup Withholding Tax, a Non-U.S. Holder generally will not be subject to U.S. federal income tax, including withholding tax, in connection with the receipt of proceeds from the sale, exchange, or other taxable disposition of shares of our common stock, unless:

- the gain is effectively connected with the Non-U.S. Holder s conduct of a trade or business within the United States and, if subject to an applicable tax treaty, is attributable to a permanent establishment or fixed base maintained by the Non-U.S. Holder in the U.S.;

- in the case of an individual, the Non-U.S. Holder has been present in the U.S. for at least 183 days or more in the taxable year of disposition (and certain other conditions are satisfied); or

- we are or have been a U.S. real property holding corporation (USRPHC), for U.S. federal income tax purposes (that is, a domestic corporation whose trade or business and real property assets consist primarily of U.S. real property interests) at any time during the shorter of the five-year period ending on the date of disposition and the Non-U.S. Holder s holding period for its shares of our common stock and, if shares of our common stock are regularly traded on an established securities market, the Non-U .S. Holder held, directly or indirectly, at any time during such period, more than 5% of our issued and outstanding common stock.

Income that is effectively connected with the conduct of a U.S. trade or business by a Non-U.S. Holder generally will be subject to regular U.S. federal income tax in the same manner as if it were realized by a U.S. Holder. In addition, if such Non-U.S. Holder is a corporation, such gain may be subject to a branch profits tax at a rate of 30% (or such lower rate as is provided by an applicable income tax treaty).

If an individual Non-U.S. Holder is present in the U.S. for at least 183 days during the taxable year of disposition, the Non-U.S. Holder may be subject to a flat 30% tax on any U.S.-source gain derived from the sale, exchange, or other taxable disposition of shares of our common stock (other than gain effectively connected with a U.S. trade or business), which may be offset by U.S.-source capital losses.

It is likely that we are and will continue to be a USRPHC. As a result, any gain recognized by a Non-U.S. Holder on the sale, exchange, or other taxable disposition of our common stock may be subject to U.S. federal income tax in the same manner as gain recognized by a U.S. Holder (FIRPTA Tax). In addition, a Non-US. Holder may under certain circumstances be subject to withholding in an amount equal to 10% of the gross proceeds on the sale or disposition; if the Non-U.S. Holder files a U.S. federal income tax return, any amounts so withheld will generally be credited against, and refunded to the extent in excess of, any FIRPTA Tax such Non-U.S. Holder owes.

However, so long as our common stock is considered to be regularly traded on an established securities market (regularly traded) at any time during the calendar year, a Non-U.S. Holder generally will not be subject to FIRPTA Tax on any gain recognized on the sale or other disposition of our common stock unless the Non-U.S. Holder owned (actually or constructively) shares of our common stock with a fair market value of more than 5% of the total fair market value of our common stock at any time during the applicable period described in the third bullet point above. No withholding is required under these rules upon a sale or other taxable disposition of our common stock if it is considered to be regularly traded. If, on the other hand, our common stock is not considered to be regularly traded, a Non-U.S. Holder will be subject to FIRPTA Tax on any gain recognized on your sale or other taxable disposition of our common stock, and withholding on the gross proceeds thereof, regardless of such Non-U.S. Holder s percentage ownership of our common stock.

Table of Contents

Recent Law Changes Affecting U.S. Federal Income Tax Withholding

Recently enacted legislation and administrative guidance will require withholding at a rate of 30% on dividends paid on or after January 1, 2014 and gross proceeds from the sale of shares of our common stock paid on or after January 1, 2015 to certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to, among other things, report, on an annual basis, information with respect to accounts with or shares in the institution held by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by United States persons, and to withhold on payments made to certain account holders. Accordingly, the entity through which shares of our common stock is held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, shares of our common stock held by an investor that is a non-financial foreign entity will be subject to withholding at a rate of 30% if such entity or another non-financial foreign entity is the beneficial owner of the payment, unless, among other things, the beneficial owner or the payee either (i) certifies to us that such entity does not have any substantial United States owners or (ii) provides certain information regarding the entity s substantial United States owners, which we will in turn provide to the Secretary of the Treasury. Non-U.S. Holders are encouraged to consult with their tax advisors regarding the possible implications of the legislation on their investment in shares of our common stock.

Information Reporting; Backup Withholding Tax

A Non-U.S. Holder generally will not be subject to information reporting or backup withholding with respect to payments of dividends on, or gross proceeds from the disposition of, shares of our common stock that are made within the United States or though certain U.S.- related financial intermediaries, provided that the Non-U.S. Holder certifies as to its foreign status or otherwise establishes an exemption.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a Non-U.S. Holder s U.S. federal income tax liability, and a Non-U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information. Non-U.S. Holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them in their particular circumstances.

Table of Contents

CERTAIN ERISA CONSIDERATIONS

There are certain considerations to be made in connection with the purchase of the common stock by (1) employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, or ERISA, (2) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA, which similar provisions are collectively referred to herein as Similar Laws, and (3) entities whose underlying assets are considered to include plan assets of any such plan, account or arrangement, each (1), (2), and (3), a Plan.

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code, which Plan is referred to herein as an ERISA Plan, and prohibit certain transactions involving the assets of an ERISA Plan with parties that are parties in interest under ERISA or disqualified persons under the Code. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the common stock of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary s duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Table of Contents

UNDERWRITING AND CONFLICTS OF INTEREST

Johnson Rice & Company L.L.C. and Macquarie Capital (USA) Inc. are acting as joint book-running managers for this offering and Johnson Rice & Company L.L.C. is acting as representative of the underwriters named below. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and the underwriters have agreed to purchase from us, the number of shares set forth opposite their names below:

Underwriters	Number of Shares
Johnson Rice & Company L.L.C.	
Macquarie Capital (USA) Inc.	
Canaccord Genuity Inc.	
Capital One Southcoast, Inc.	
Cowen and Company, LLC	
Simmons & Company International	
Stifel, Nicolaus & Company, Incorporated	
Total	10,000,000

The underwriting agreement provides that the obligations of the several underwriters are subject to various conditions, including approval of legal matters by counsel. The shares are offered by the underwriters, subject to prior sale, when, as and if issued to and accepted by them. The underwriters reserve the right to withdraw, cancel or modify the offer and to reject orders in whole or in part.

The underwriting agreement provides that the underwriters are obligated to purchase all the shares offered by this prospectus if any are purchased, other than those shares covered by the underwriters option to purchase additional shares from us described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

Option to Purchase Additional Common Stock

We have granted the underwriters an option, exercisable for 30 days after the date of the underwriting agreement, to purchase up to an additional 1,500,000 shares from us at the initial public offering price less the underwriting discounts and commissions, as set forth on the cover page of this prospectus to cover over-allotments, if any. If the underwriters exercise this option in whole or in part, then the underwriters will be severally committed, subject to the conditions described in the underwriting agreement, to purchase the additional shares in proportion to their respective commitments set forth in the prior table. To the extent the underwriters do exercise their option to purchase the additional shares of common stock, the number of shares of common stock issued to SEP I (as presented in this prospectus) will decrease by one-half of the aggregate number of shares of common stock purchased by the underwriters pursuant to such exercise and the number of shares of common stock issued to the public (as presented in this prospectus) will increase by the aggregate number of shares of common stock purchased by the underwriters pursuant to such exercise. In addition, one-half of the net proceeds from any exercise of the underwriters option to purchase additional shares of common stock will be paid to SEP I.

Discounts and Commissions

The shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus and to certain dealers at that price less a concession of not more than $ per share, of which up to $ per share may be reallowed to other dealers. After the initial offering, the public offering price, concession and reallowance to dealers may be changed.

Table of Contents

The following table summarizes the underwriting discounts and commissions and the proceeds, before expenses, payable to us, both on a per share basis and in total, assuming either no exercise or full exercise by the underwriters of their option to purchase additional shares from us:

		Total	
	Per Share	Without Option	With Option
Public offering price	$		
Underwriting discounts and commissions	$		
Proceeds, before expenses, to us	$	$	$

We estimate that the expenses of this offering payable by us, not including underwriting discounts and commissions, will be approximately $3 million.

Indemnification of Underwriters

The underwriting agreement provides that we will indemnify the underwriters against specified liabilities, including liabilities under the US federal securities laws, or contribute to payments that the underwriters may be required to make in respect of those liabilities.

Lock-Up Agreements

We, our directors and executive officers, SEP I and Ross Exploration have agreed, subject to certain exceptions, that, without the prior written consent of Johnson Rice & Company L.L.C., we and they will not, during the period beginning on and including the date of this prospectus through and including the date that is the 180th day after the date of this prospectus, directly or indirectly:

- issue (in the case of us), offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any of our shares or any securities convertible into or exercisable or exchangeable for our shares, except that we may issue shares or any securities convertible or exchangeable into our shares as payment of any part of the purchase price for businesses that we acquire; provided that any recipient of such shares must agree in writing to be bound by these provisions for the remainder of the lock-up period;

- in the case of us, file or cause the filing of any registration statement under the Securities Act with respect to any of our shares or any securities convertible into or exercisable or exchangeable for our stock (other than (i) any Rule 462(b) registration statement filed to register securities to be sold to the underwriters pursuant to the underwriting agreement, (ii) any registration statement on Form S-8 to register common stock or options to purchase common stock pursuant to the long-term incentive plan and (iii) any registration statement to which Johnson Rice & Company L.L.C. has consented to such filing, such consent not to be unreasonably withheld, in connection with our entrance into a definitive agreement relating to an acquisition); or

- enter into any swap or other agreement, arrangement, hedge or transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of our shares or any securities convertible into or exercisable or exchangeable for our shares,

whether any transaction described in any of the foregoing bullet points is to be settled by delivery of our common stock, other securities, in cash or otherwise; or publicly announce an intention to do any of the foregoing. Moreover, if:

during the last 17 days of the lock-up period, we issue an earnings release or material news or a material event relating to us occurs; or

117

prior to the expiration of the lock-up period, we announce that we will release earnings results or become aware that material news on a material event relating to us will occur during the 16-day period beginning on the last day of the lock-up period,

the restrictions described in the immediately preceding sentence will continue to apply, subject to certain exceptions, until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as the case may be, unless the underwriter waives, in writing, that extension.

Notwithstanding anything to the contrary above, SEP I is permitted to distribute its shares of our common stock to its partners at any time after the closing of the offering. If the recipient of our shares in such distribution is an affiliate of SEP I, such recipient will be bound by the terms of the lock-up agreement. If the recipient of our shares in such distribution is not an affiliate of SEP I, such recipient will not be bound by the lock-up agreement, but will be subject to the restrictions on resale described under Share Eligible for Future Sale.

Johnson Rice & Company L.L.C. may, in its sole discretion and at any time or from time to time, without notice, release all or any portion of the common stock or other securities subject to the lock-up agreements. Any determination to release any shares or other securities subject to the lock-up agreements would be based on a number of factors at the time of determination, which may include the market price of the shares, the liquidity of the trading market for the shares, general market conditions, the number of shares or other securities proposed to be sold or otherwise transferred and the timing, purpose and terms of the proposed sale or other transfer.

Electronic Distribution

This prospectus and the registration statement of which this prospectus forms a part may be made available in electronic format on the websites maintained by one or more of the underwriters. The underwriters may agree to allocate a number of shares for sale to their online brokerage account holders. The shares will be allocated to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders. Other than the information set forth in this prospectus and the registration statement of which this prospectus forms a part, information contained in any website maintained by an underwriter is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been endorsed by us and should not be relied on by investors in deciding whether to purchase shares. The underwriters are not responsible for information contained in websites that they do not maintain.

Conflicts of Interest

Affiliates of Macquarie Capital (USA) Inc. are lenders under SEP I s credit agreement and will receive more than 5% of the net proceeds of this offering in connection with the repayment of amounts under such credit agreement from the amounts received by SEP I in the formation transactions. Accordingly, this offering is being made in compliance with the requirements of Rule 5121 of the Financial Industry Regulatory Authority, Inc. In accordance with this rule, Simmons & Company International has assumed the responsibilities of acting as a qualified independent underwriter. In its role as a qualified independent underwriter, Simmons & Company International has participated in due diligence and the preparation of the registration statement of which this prospectus is a part. Simmons & Company International will not receive any additional fees for serving as a qualified independent underwriter in connection with this offering. Such underwriter will not confirm sales of the shares to any account over which it exercises discretionary authority without the prior written approval of the customer. We have agreed to indemnify Simmons & Company International against certain liabilities incurred in connection with acting as a qualified independent underwriter, including liabilities under the Securities Act.

New York Stock Exchange

Our common stock has been approved for listing on the NYSE under the symbol SN.

Table of Contents

Stabilization

In order to facilitate this offering of our shares, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of our shares. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under their option to purchase additional shares from us. The underwriters may close out a covered short sale by exercising their option to purchase additional shares from us or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters may consider, among other things, the market price of shares compared to the price payable under their option to purchase additional shares from us. The underwriters may also sell shares in excess of the number of shares available under their option to purchase additional shares from us, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after the date of pricing of this offering that could adversely affect investors who purchase in this offering.

As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares in the open market to stabilize the price of our shares, so long as stabilizing bids do not exceed a specified maximum. The underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing shares in this offering if the underwriting syndicate repurchases previously distributed shares to cover syndicate short positions or to stabilize the price of the shares.

The foregoing transactions, if commenced, may raise or maintain the market price of our shares above independent market levels or prevent or retard a decline in the market price of the shares.

The foregoing transactions, if commenced, may be effected on the NYSE or otherwise. Neither we nor any of the underwriters makes any representation that the underwriters will engage in any of these transactions and these transactions, if commenced, may be discontinued at any time without notice. Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of the effect that the transactions described above, if commenced, may have on the market price of our shares.

Pricing of This Offering

Prior to this offering, there has been no public market for our shares. Consequently, the initial public offering price for our common stock was determined between us and Johnson Rice & Company L.L.C. The factors considered in determining the initial public offering price included:

- prevailing market conditions;
- our results of operations and financial condition;
- financial and operating information and market valuations with respect to other companies that we and the representative of the underwriters believe to be comparable or similar to us;
- the present state of our development; and
- our future prospects.

An active trading market for our shares may not develop. It is possible that the market price of our shares after this offering will be less than the initial public offering price. In addition, the estimated initial public offering price range appearing on the cover of this preliminary prospectus is subject to change as a result of market conditions or other factors.

119

Table of Contents

Notice to Investors

Notice to prospective investors in the European Economic Area

In relation to each Member State of the European Economic Area, or EEA, which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from, and including, the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), an offer to the public of our securities which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State, except that, with effect from, and including, the Relevant Implementation Date, an offer to the public in that Relevant Member State of our securities may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets, or, if not so authorized or regulated, whose corporate purpose is solely to invest in our securities;

- to any legal entity which has two or more of: (i) an average of at least 250 employees during the last (or, in Sweden, the last two) financial year(s); (ii) a total balance sheet of more than 43,000,000 and (iii) an annual net turnover of more than 50,000,000, as shown in its last (or, in Sweden, the last two) annual or consolidated accounts;

- to fewer than 100 natural or legal persons or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representative for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive provided that no such offer of our securities shall result in a requirement for the publication by us or any underwriter or agent of a prospectus pursuant to Article 3 of the Prospectus Directive.

As used above, the expression offered to the public in relation to any of our securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and our securities to be offered so as to enable an investor to decide to purchase or subscribe for our securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State; and the expression 2010 PD Amending Directive means Directive 2010/73/EU. The EEA selling restriction is in addition to any other selling restrictions set out in this prospectus.

Notice to prospective investors in the United Kingdom

This prospectus is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order); or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons falling within (i)-(iii) together being referred to as relevant persons). The shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents.

Table of Contents

Notice to prospective investors in Switzerland

The prospectus does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations (CO) and the shares will not be listed on the SIX Swiss Exchange. Therefore, the prospectus may not comply with the disclosure standards of the CO and/or the listing rules (including any prospectus schemes) of the SIX Swiss Exchange. Accordingly, the shares may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the shares with a view to distribution.

Notice to prospective investors in France

Neither this prospectus nor any other offering material relating to the shares described in this prospectus has been submitted to the clearance procedures of the Autorité des Marchés Financiers or of the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the shares has been or will be:

released, issued, distributed or caused to be released, issued or distributed to the public in France; or

used in connection with any offer for subscription or sale of the shares to the public in France.

Such offers, sales and distributions will be made in France only:

to qualified investors (investisseurs qualifiés) or to a restricted circle of investors (cercle restreint d investisseurs), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier;

to investment services providers authorized to engage in portfolio management on behalf of third parties; or

in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code monétaire et financier and article 211-2 of the General Regulations (Règlement Général) of the Autorité des Marchés Financiers, does not constitute a public offer (appel public à l épargne).

The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

Notice to prospective investors in Australia

This prospectus is not a formal disclosure document and has not been, nor will be, lodged with the Australian Securities and Investments Commission. It does not purport to contain all information that an investor or their professional advisers would expect to find in a prospectus or other disclosure document (as defined in the Corporations Act 2001 (Australia)) for the purposes of Part 6D.2 of the Corporations Act 2001 (Australia) or in a product disclosure statement for the purposes of Part 7.9 of the Corporations Act 2001 (Australia), in either case, in relation to the securities.

The securities are not being offered in Australia to retail clients as defined in sections 761G and 761GA of the Corporations Act 2001 (Australia). This offering is being made in Australia solely to wholesale clients for the purposes of section 761G of the Corporations Act 2001 (Australia) and, as such, no prospectus, product disclosure statement or other disclosure document in relation to the securities has been, or will be, prepared.

Table of Contents

This prospectus does not constitute an offer in Australia other than to wholesale clients. By submitting an application for our securities, you represent and warrant to us that you are a wholesale client for the purposes of section 761G of the Corporations Act 2001 (Australia). If any recipient of this prospectus is not a wholesale client, no offer of, or invitation to apply for, our securities shall be deemed to be made to such recipient and no applications for our securities will be accepted from such recipient. Any offer to a recipient in Australia, and any agreement arising from acceptance of such offer, is personal and may only be accepted by the recipient. In addition, by applying for our securities you undertake to us that, for a period of 12 months from the date of issue of the securities, you will not transfer any interest in the securities to any person in Australia other than to a wholesale client.

Notice to prospective investors in Hong Kong

Our securities may not be offered or sold in Hong Kong, by means of this prospectus or any document other than (i) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (ii) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong). No advertisement, invitation or document relating to our securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere) which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to prospective investors in Japan

Our securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and our securities will not be offered or sold, directly or indirectly, in Japan, or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan, or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to prospective investors in Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore and in Singapore, the offer and sale of our securities is made pursuant to exemptions provided in sections 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore (SFA). Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our securities may not be circulated or distributed, nor may our securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person as defined in section 275(2) of the SFA pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with the conditions (if any) set forth in the SFA. Moreover, this document is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. Prospective investors in Singapore should consider carefully whether an investment in our securities is suitable for them.

Table of Contents

Where our securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- by a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- for a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor;

shares of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 of the SFA, except:

- to an institutional investor, for corporations under Section 274 of the SFA, or to a relevant person defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA;

- where no consideration is given for the transfer; or

- where the transfer is by operation of law.

In addition, investors in Singapore should note that the securities acquired by them are subject to resale and transfer restrictions specified under Section 276 of the SFA, and they, therefore, should seek their own legal advice before effecting any resale or transfer of their securities.

Notice to prospective investors in Korea

The shares may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Korea Securities and Exchange Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The shares have not been registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the shares may not be resold to Korean residents unless the purchaser of the shares complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the shares.

Table of Contents

LEGAL MATTERS

The validity of our common stock will be passed upon for us by Akin Gump Strauss Hauer & Feld LLP, Houston, Texas. Certain legal matters in connection with the shares of common stock offered hereby will be passed upon for the underwriters by Porter Hedges LLP, Houston, Texas.

EXPERTS

The historical financial statements of the Oil and Natural Gas Properties to be Transferred to Sanchez Energy Corporation as of December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010, included in this prospectus have been so included in reliance on the report of BDO USA, LLP, an independent registered public accounting firm, appearing elsewhere herein, given on the authority of said firm as experts in auditing and accounting.

The balance sheet of Sanchez Energy Corporation as of August 22, 2011 (date of inception) included in this prospectus has been so included in reliance on the report of BDO USA, LLP, an independent registered public accounting firm, appearing elsewhere herein, given on the authority of said firm as experts in auditing and accounting.

The estimates of our proved reserves as of December 31, 2010 and June 30, 2011 are based on reserve reports prepared by Ryder Scott Company, L.P., independent petroleum engineers. These estimates are included in this prospectus in reliance upon the authority of the firm as experts in these matters.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-l regarding our common stock. This prospectus does not contain all of the information found in the registration statement. For further information regarding us and the common stock offered by this prospectus, you may desire to review the full registration statement, including its exhibits and schedules, filed under the Securities Act. The registration statement of which this prospectus forms a part, including its exhibits and schedules, may be inspected and copied at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of the materials may also be obtained from the SEC at prescribed rates by writing to the public reference room maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website on the Internet at www.sec.gov. Our registration statement, of which this prospectus constitutes a part, can be downloaded from the SEC s website.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act and, in accordance therewith, will file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information will be available for inspection and copying at the public reference room and web site of the SEC referred to above. Our website will be located at www.sanchezenergycorp.com following completion of this offering. You may access our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act with the SEC free of charge at our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The reference to our website address does not constitute incorporation by reference of the information contained on our website.

Table of Contents

INDEX TO FINANCIAL STATEMENTS

Oil and Natural Gas Properties to Be Transferred to Sanchez Energy Corporation

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Sanchez Energy Corporation

Houston, Texas

We have audited the accompanying carve-out balance sheets of the oil and natural gas properties to be transferred to Sanchez Energy Corporation (the Properties) as of December 31, 2009 and 2010 and the related carve-out statements of operations, parent net investment, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the management of the Properties. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Properties are not required to have, nor were we engaged to perform, an audit of the internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting of the Properties. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the carve-out financial statements referred to above present fairly, in all material respects, the financial position of the Properties as of December 31, 2009 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Properties are not a stand-alone entity. The carve-out financial statements of the Properties reflect the assets, liabilities, revenues, and expenses directly attributable to the Properties, as well as allocations deemed reasonable by management, to present the financial position, results of operations, changes in parent net investment, and cash flows of the Properties on a stand-alone basis and do not necessarily reflect the financial position, results of operations, changes in parent net investment, and cash flows of the Properties in the future or what they would have been had the Properties been a separate, stand-alone entity during the periods presented.

/s/ BDO USA, LLP

Houston, Texas

September 1, 2011

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Balance Sheets

	As of December 31, 2009	As of December 31, 2010	As of September 30, 2011 (Unaudited)	Pro Forma As of September 30, 2011 (Unaudited)
ASSETS				
Current assets:				
Oil and natural gas receivables	$ 105,961	$ 2,724,696	$ 1,387,453	$ 1,387,453
Derivative assets			2,634,185	2,634,185
Total current assets	105,961	2,724,696	4,021,638	4,021,638
Oil and natural gas properties, at cost, using the full cost method:				
Unproved oil and gas properties	12,972,566	20,822,377	14,875,771	14,875,771
Proved oil and gas properties	1,226,266	5,674,392	24,697,569	24,697,569
Total oil and gas properties, at cost	14,198,832	26,496,769	39,573,340	39,573,340
Less: Accumulated depreciation, depletion and amortization	(1,029,621)	(2,457,211)	(5,217,918)	(5,217,918)
Total oil and gas properties, net	13,169,211	24,039,558	34,355,422	34,355,422
Derivative assets			864,937	864,937
Deferred offering costs			439,122	439,122
Total assets	$ 13,275,172	$ 26,764,254	$ 39,681,119	$ 39,681,119
LIABILITIES AND PARENT NET INVESTMENT				
Current liabilities:				
Accounts payable	$ 47,267	$ 4,542,455	$ 2,793,524	$ 2,793,524
Accounts payable-related entities			153,916	153,916
Deferred derivative liability			1,453,200	1,453,200
Distribution payable (Note 2)				50,000,000
Total current liabilities	47,267	4,542,455	4,400,640	54,400,640
Deferred derivative liability			487,600	487,600
Asset retirement obligation	10,332	59,906	73,137	73,137
Total liabilities	57,599	4,602,361	4,961,377	54,961,377
Commitments and contingencies (Note 7)				
Parent net investment (deficit)	13,217,573	22,161,893	34,719,742	(15,280,258)
Total liabilities and parent net investment	$ 13,275,172	$ 26,764,254	$ 39,681,119	$ 39,681,119

The accompanying notes are an integral part of these financial statements.

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Statements of Operations

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
				(Unaudited)	
REVENUES:					
Oil sales	$	$ 241,214	$ 4,404,241	$ 1,464,618	$ 9,432,863
Natural gas sales			149,153		436,553
Total revenues		241,214	4,553,394	1,464,618	9,869,416
OPERATING COSTS AND EXPENSES:					
Oil and natural gas production expenses		8,390	391,651	70,453	1,208,557
Production and ad valorem taxes, net		11,123	214,039	67,460	550,844
Depreciation, depletion, and amortization		415,457	1,427,590	323,505	2,760,707
Accretion expense		199	2,416	1,340	4,140
Impairment of oil and natural gas properties		614,164			
Gain on sale of oil and natural gas properties		(2,686,069)			
General and administrative	1,246,867	1,833,211	5,275,573	4,120,466	3,503,547
Total operating costs and expenses	1,246,867	196,475	7,311,269	4,583,224	8,027,795
Operating income (loss)	(1,246,867)	44,739	(2,757,875)	(3,118,606)	1,841,621
OTHER INCOME:					
Unrealized gain on derivatives					1,558,322
Net income (loss)	$ (1,246,867)	$ 44,739	$ (2,757,875)	$ (3,118,606)	$ 3,399,943
Pro forma earnings (loss) per share basic and diluted (Unaudited) (See Note 2)					
Pro forma net earnings (loss) per common share, basic and diluted			$ (0.11)	$ (0.13)	$ 0.14
Shares used in computing earnings per share			24,366,847	24,366,847	24,366,847

The accompanying notes are an integral part of these financial statements.

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Statements of Parent Net Investment

BALANCE, January 1, 2008	$
Investment by parent	15,444,124
Net loss	(1,246,867)
BALANCE, December 31, 2008	14,197,257
Distribution to parent	(1,024,423)
Net income	44,739
BALANCE, December 31, 2009	13,217,573
Investment by parent	11,702,195
Net loss	(2,757,875)
BALANCE, December 31, 2010	22,161,893
Investment by parent (unaudited)	9,157,906
Net income (unaudited)	3,399,943
BALANCE, September 30, 2011 (unaudited)	$ 34,719,742

The accompanying notes are an integral part of these financial statements.

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Statements of Cash Flows

	Years ended December 31,			Nine months ended September 30,	
	2008	2009	2010	2010	2011
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ (1,246,867)	$ 44,739	$ (2,757,875)	$ (3,118,606)	$ 3,399,943
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Gain on sale of oil and natural gas properties		(2,686,069)			
Depreciation, depletion, and amortization		415,457	1,427,590	323,505	2,760,707
Impairment of oil and natural gas properties		614,164			
Accretion expense		199	2,416	1,340	4,140
Unrealized gain on derivatives					(1,558,322)
Changes in operating assets and liabilities:					
Accounts receivable		(105,961)	(2,618,735)	(353,746)	1,337,243
Accounts payable		7,864	169,366	7,205	(3,745,734)
Net cash provided by (used in) operating activities	(1,246,867)	(1,709,607)	(3,777,238)	(3,140,302)	2,197,977
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for oil and natural gas properties	(14,197,257)	(3,098,001)	(13,848,442)	(9,100,568)	(12,514,409)
Proceeds from sale of oil and natural gas properties		5,832,031	5,923,485		1,597,648
Net cash (used in) provided by investing activities	(14,197,257)	2,734,030	(7,924,957)	(9,100,568)	(10,916,761)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Investment by (distribution to) parent	15,444,124	(1,024,423)	11,702,195	12,240,870	9,157,906
Deferred offering costs					(439,122)
Net cash provided by (used in) financing activities	15,444,124	(1,024,423)	11,702,195	12,240,870	8,718,784
Increase in cash and cash equivalents					
Cash and cash equivalents, beginning of period					
Cash and cash equivalents, end of period	$	$	$	$	$
NON-CASH INVESTING AND FINANCING ACTIVITIES:					
Asset retirement obligations	$	$ 10,133	$ 47,158	$ 14,435	$ 9,091
Change in accrued capital expenditures	$ 65,096	$ (25,693)	$ 4,325,822	$ 1,217,232	$ (2,150,719)
Deferred derivative liability	$	$	$	$	$ 1,940,800

The accompanying notes are an integral part of these financial statements.

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Notes to Financial Statements

1. Organization and Basis of Presentation

Basis of Presentation

Sanchez Energy Partners I, LP (SEP I), a Delaware limited partnership, anticipates entering into an agreement to transfer certain of its unconventional oil and natural gas operations (the Properties) to Sanchez Energy Corporation (the Company) in exchange for shares of the Company s common stock and cash. The accompanying financial statements have been prepared on a carve-out basis from SEP I s accounts and reflect the historical accounts directly attributable to the Properties together with allocations of costs and expenses. The financial statements may not be indicative of future performance and may not reflect what their results of operations, financial position, and cash flows would have been had the Properties operated as an independent company. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

SEP Management I, LLC is the General Partner of SEP I and is a wholly owned subsidiary of Sanchez Oil & Gas Corporation (SOG). SOG is a private oil and gas company engaged in the exploration for and development of oil and natural gas. SOG is the operator of a significant portion of SEP I s oil and natural gas properties. Pursuant to a Management Services Agreement (MSA), SOG provides all employee, management, and administrative support to SEP I and, accordingly, a proportionate share of SOG s general and administrative costs have been allocated to the Properties. For purposes of these financial statements, the costs of these services associated with the Properties were allocated to the Properties primarily based on the ratio of capital expenditures between the entities to which SOG provides services and the Properties. However, other factors, such as time spent on general management services and producing property activities, were also considered in the allocation of these costs. Management believes such allocations are reasonable; however, they may not be indicative of the actual expense that would have been incurred had the Properties operated as an independent company for the periods presented. SOG will continue to provide these services to the Company under a structure similar to the existing MSA with SEP I.

Interim Financial Information

The unaudited financial statements for the nine-month periods ended September 30, 2010 and 2011 have been prepared in conformity with U.S. GAAP for interim financial reporting. In management s opinion, these unaudited financial statements include all adjustments necessary for a fair statement of the financial position of the Properties at September 30, 2011, results of operations for the nine months ended September 30, 2010 and 2011, changes in parent net investment for the nine months ended September 30, 2011, and cash flows for the nine months ended September 30, 2010 and 2011.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end and the results for the interim periods are not necessarily indicative of results to be expected for the full year due to several factors, including market conditions, estimates of reserves, drilling risks, geological risks, oil and natural gas supply and demand, market conditions, and potential production interruptions.

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Notes to Financial Statements

2. Business and Summary of Significant Accounting Policies

Description of Business

The Properties are primarily located in the oil window of the Eagle Ford Shale in Gonzalez, Zavala, and Frio Counties of Texas and operated by SOG. In addition, certain of the Properties located in the Haynesville Shale in north central Louisiana, which is primarily a natural gas play, and an undeveloped acreage position in Northern Montana are not operated by SOG. The principal markets for the Properties products are the sale of such products at the wellhead or by transporting production to purchasers purchase points.

Oil and Natural Gas Receivables

At December 31, 2009 and 2010, accounts receivable balances of $105,961 and $2,724,696, respectively, associated with the Properties were comprised of oil and natural gas production revenues for the months of November and December 2009 and 2010, respectively. At September 30, 2011, the accounts receivable balance associated with the Properties was $1,387,453. The Properties do not have any off-balance-sheet credit exposure related to its customers. Receivables from the sale of oil and natural gas are generally unsecured. Allowances for doubtful accounts are determined based on management s assessment of the creditworthiness of the customer. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are written off against the allowance for doubtful accounts only after all the collection attempts have been exhausted. At December 31, 2009 and 2010, and September 30, 2011, management believed that all balances were fully collectible and no allowance for doubtful accounts was deemed necessary.

Oil and Natural Gas Properties

Oil and natural gas properties are accounted for under the full cost method of accounting whereby all costs associated with acquisition, exploration, and development of oil and natural gas reserves are capitalized.

Under full cost accounting rules, capitalized costs, less accumulated amortization, shall not exceed an amount (the ceiling) equal to the sum of: (i) the present value of estimated future net revenues less future production, development, site restoration, and abandonment costs derived based on current costs assuming continuation of existing economic conditions and computed using a discount factor of ten percent; (ii) the cost of properties not being amortized; and (iii) the lower of cost or estimated fair value of unproven properties included in the costs being amortized. If unamortized costs capitalized within the cost pool exceed the ceiling, the excess is charged to expense and separately disclosed during the period in which the excess occurs. Amounts thus required to be written off are not reinstated for any subsequent increase in the cost center ceiling. Impairment expense of $614,164 was recorded during the year ended December 31, 2009. No impairment expense was recorded for the years ended December 31, 2008 or 2010 or for the nine month periods ended September 30, 2010 or 2011.

Depreciation, depletion and amortization is provided using the unit-of-production method based upon estimates of proved oil and natural gas reserves with oil and natural gas production being converted to a common unit of measure based upon their relative energy content. All capitalized costs of oil and natural gas properties, including the estimated future costs to develop proved reserves, are amortized using the units-of-production method based on total proved reserves. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Notes to Financial Statements

an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized. Once the assessment of unproved properties is complete and when major development projects are evaluated, the costs previously excluded from amortization are transferred to the full cost pool and amortization begins. The amortizable base includes estimated future development costs and where significant, dismantlement, restoration and abandonment costs, net of estimated salvage value.

In arriving at depletion rates under the unit-of-production method, the quantities of recoverable oil and natural gas reserves are established based on estimates made by internal and third party geologists and engineers, which require significant judgment as does the projection of future production volumes and levels of future costs, including future development costs. In addition, considerable judgment is necessary in determining when unproved properties become impaired and in determining the existence of proved reserves once a well has been drilled. All of these judgments may have significant impact on the calculation of depletion and impairment expense.

Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved oil and natural gas reserves, in which case the gain or loss is recognized in the statement of operations. In December 2009, a portion of certain unevaluated oil and natural gas acreage was sold for cash of $5,000,031. Because a reduction in the full cost pool by the net sales proceeds would have significantly altered the relationship between capitalized costs and proved reserves, the sale was considered significant and a $2,686,069 gain was recorded in the statement of operations.

In November 2010, certain unevaluated oil and natural gas acreage was sold for cash of $5,923,485 in a transaction not considered significant under the full cost accounting rules, resulting in a reduction to the full cost pool by the amount of the proceeds. In February 2011, certain unevaluated oil and natural gas acreage was sold for cash of $1,597,648 in a transaction not considered significant under the full cost accounting rules, resulting in a reduction to the full cost pool by the amount of the proceeds.

Unproved properties not subject to amortization at December 31, 2009, and 2010 consisted of acquired leasehold interests obtained through direct purchases, associated seismic costs on some of these leasehold positions, and development costs (December 31, 2010) associated with an in-progress drilling project that had not been evaluated. Unproved properties are identified on a project basis, with a project being an area in which significant leasehold interests are acquired within a contiguous area. Unproved properties are reviewed periodically by management and transferred into the full cost pool subject to amortization when management determines that a project area has been evaluated through drilling operations or a thorough geologic evaluation. The unproved properties at each year end had not been evaluated to determine whether hydrocarbons were present and capable of being economically produced.

Based on management s review, 35%, 28% and 30% of the unproved property balance at December 31, 2010 is expected to be included in the amortization base during the years 2011, 2012 and 2013, respectively. The remaining balances in unproved properties relate to project areas that will not be thoroughly evaluated until after 2013, and represent leasehold interests that have expiration dates beginning in 2017.

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Notes to Financial Statements

The table below sets forth the cost of unproved properties excluded from the amortization base as of December 31, 2010 and notes the year in which the associated costs were incurred:

	Year of Acquisition			
	2008	2009	2010	Total
Leasehold acquisition cost	$ 5,269,173	$ 295,023	$ 7,087,804	$ 12,652,000
Exploration cost	4,028,173	1,752,803	2,389,401	8,170,377
Total	$ 9,297,346	$ 2,047,826	$ 9,477,205	$ 20,822,377

Oil and Natural Gas Reserve Quantities

Estimates of oil and natural gas reserves associated with the Properties as of December 31, 2009 and 2010 are based on reports submitted by Ryder Scott Company, LP (Ryder Scott).

Estimates of proved reserves are based on the quantities of oil and natural gas that engineering and geological analyses demonstrate, with reasonable certainty, to be recoverable from established reservoirs in the future under current operating and economic parameters. Ryder Scott has historically prepared a reserve and economic evaluation of all SEP I s properties, utilizing information provided to it by management and other information available, including information from the operator of the property.

In January 2010, the FASB issued an update to the Oil and Gas topic, which aligns the oil and natural gas reserve estimation and disclosure requirements with the requirements in the SEC s final rule, *Modernization of the Oil and Gas Reporting Requirements* (the Final Rule). The Final Rule was issued on December 31, 2008. The Final Rule is intended to provide investors with a more meaningful and comprehensive understanding of oil and natural gas reserves, which should help investors evaluate the relative value of oil and natural gas companies.

The Final Rule permits the use of new technologies to determine proved reserve estimates if those technologies have been demonstrated empirically to lead to reliable conclusions about reserve volume estimates. The Final Rule also allows, but does not require, companies to disclose their probable and possible reserves to investors in documents filed with the SEC.

In addition, the new disclosure requirements require companies to report oil and natural gas reserves using an average price based upon the prior 12 month first day of the month price rather than a year-end price. The Final Rule became effective for fiscal years ending on or after December 31, 2009.

Reserves and their relation to estimated future net cash flows impact the Properties depletion and impairment calculations. As a result, adjustments to depletion and impairment are made concurrently with changes to reserve estimates. The reserve estimates and the projected cash flows derived from these reserve estimates are prepared in accordance with SEC guidelines. The independent engineering firm noted above adheres to the same guidelines when preparing their reserve reports. The accuracy of the reserve estimates associated with the Properties is a function of many factors including the quality and quantity of available data, the interpretation of that data, the accuracy of various mandated economic assumptions, and the judgments of the individuals preparing the estimates, all of which could deviate significantly from actual results. As such, reserve estimates may materially vary from the ultimate quantities of oil and natural gas eventually recovered.

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Notes to Financial Statements

Revenue Recognition

Oil and natural gas sales are recognized when production is sold to a purchaser at a fixed or determinable price, delivery has occurred, title has transferred, and collectability of the revenue is probable. Delivery occurs and title is transferred when production has been delivered to a pipeline, railcar or truck, or a tanker lifting has occurred. The sales method of accounting is used for oil and natural gas sales from the Properties. Oil and natural gas imbalances are generated on properties for which two or more owners have the right to take production in-kind and, in doing so, take more or less than their respective entitled percentage. As of December 31, 2009 and 2010, there were no significant oil and natural gas imbalances associated with the Properties.

General and Administrative Expenses

The accompanying financial statements reflect the direct historical revenues, expenses, assets, liabilities and other financial data of the Properties. In addition to the direct revenues and expenses of the Properties, the financial statements reflect an allocated portion of the actual costs incurred by SOG in general and administrative (G&A) expenses in the accompanying financial statements.

A wide range of formulas for G&A allocation were considered. Management believes the most accurate and transparent method of allocating G&A expenses is based on the approximate ratio of capital expenditures between the entities to which SOG provides services. Other factors, such as time spent on general management services and producing property activities, were also considered in the allocation of these costs. Using this method, and considering other factors, G&A expense allocated to the Properties for the years ended December 31, 2008, 2009 and 2010 was $1,214,199, $1,702,692 and $5,077,728, respectively. G&A expense allocated to the Properties for the nine months ended September 30, 2010 and 2011 was $3,939,803 and $3,092,211, respectively.

Fair Value of Financial Instruments

Financial instruments not carried at fair value consist of accounts receivable and accounts payable. The carrying amounts of the accounts receivable and accounts payable approximate fair value due to the highly liquid nature of these short-term instruments.

Use of Estimates

The accompanying financial statements are prepared in conformity with U.S. GAAP which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant assumptions are required in the quantification and valuation of proved oil and natural gas reserves, which as described herein may affect the amount at which oil and natural gas properties are recorded and related depreciation, depletion and amortization are calculated. Other significant estimates include but are not limited to the valuation of commodity derivatives, asset retirement obligations, and the allocation of general and administrative expenses. Actual results could differ materially from those estimates.

Environmental Expenditures

The Properties are subject to extensive federal, state and local environmental laws and regulations. These laws regulate the discharge of materials into the environment and may require the Properties to remove or mitigate the

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Notes to Financial Statements

environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally not discounted unless the timing of cash payments for the liability or component are fixed or reliably determinable.

Liabilities for loss contingencies, including environmental remediation costs arising from claims, assessments, litigation, fines, and penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Recoveries for environmental remediation costs from third parties, which are probable of realization, are separately recorded and are not offset against the related environmental liability.

Management believes they are currently in compliance with all applicable federal, state and local regulations associated with the Properties. Accordingly, no environmental remediation liability or loss associated with the Properties was recorded as of December 31, 2009 and 2010, and as of September 30, 2011.

Derivative Transactions

At times, commodity derivative instruments may be utilized to manage exposure to fluctuations in the underlying commodity prices for the production sold from the Properties. The carrying amounts of derivative assets and liabilities reported on the balance sheet as of September 30, 2011 are the estimated fair values of the derivative instruments. Management sets and implements all of the hedging policies associated with the Properties, including volumes, types of instruments and counterparties, on a monthly basis. These derivative transactions are not designated as cash flow hedges. Accordingly, these derivative contracts are marked-to-market and any changes in the estimated values of derivative contracts held at the balance sheet date are recognized in the statement of operations as realized and unrealized gains or losses on derivative contracts.

In April, 2011, based on increased oil production from the Properties and the commitment to continue an aggressive drilling program in the Eagle Ford Shale, certain crude oil put spread derivatives were entered into covering oil production for calendar year 2012. The derivatives included the purchase of puts with a strike price of $90 per barrel on 1,000 barrels per day and the corresponding sale of puts with a strike price of $70 per barrel for 1,000 barrels per day. The net cost of the put spread was $1,940,800 and will be paid monthly over the course of 2012 coincident with the monthly settlements of the put spread transactions.

An unrealized gain on the above derivatives in the amount of $1,558,322 was recorded during the nine months ended September 30, 2011. No derivative transactions were associated with or allocated to the Properties during the years 2008, 2009 or 2010.

Income Taxes

The Properties have historically been owned by a limited partnership that is not a taxable entity and does not directly pay federal income taxes. Their taxable income or loss, which may vary substantially from the net income or net loss reported in the statements of operations, is allocated to the limited and general partners of SEP

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Notes to Financial Statements

I. Accordingly, no recognition has been given to federal income taxes associated with the Properties. The aggregate net book basis of the net assets exceeded the aggregate net tax basis by $3,111,781, $8,214,159 and $16,404,181 at December 31, 2009 and 2010, and at September 30, 2011, respectively.

Pro Forma Data (Unaudited)

Change in Tax Status

When the transfer to the Company is completed, the Properties operations will become subject to federal and state income taxes. Had the Properties been subject to income taxes during the periods covered by the accompanying financial statements, on a pro forma basis, they would have recognized no net benefits or provisions for income taxes. All amounts that would otherwise have been recognized would have been offset by corresponding provisions for or reductions of valuation allowances. Such valuation allowances would have been necessary because insufficient evidence would have existed to conclude that it was more likely than not that the Properties net deferred income tax assets could have been recognized. Had the transfer been completed as of September 30, 2011, it is estimated that, on a pro forma basis, a deferred income tax asset, related primarily to an excess of tax over book basis in oil and natural gas properties, of approximately $12.1 million would have been recorded. Similarly, this amount would have been offset by a valuation allowance in an equal amount.

Distribution

The Company anticipates acquiring the Properties in exchange for shares of its common stock and cash. The transaction will be accounted for at carryover basis because the Properties and the Company are under common control. Accordingly, the $50,000,000 cash payment to be made will be reflected in the financial statements as a distribution. The accompanying pro forma balance sheet reflects the reduction in the parent net investment and corresponding liability that would have been recognized had the transaction occurred as of September 30, 2011.

Earnings per Share

Pro forma earnings (loss) per share of common stock are determined by dividing the pro forma net income (loss) by 24,366,847 shares, which is the sum of the number of shares of common stock to be issued to SEP I in exchange for the Properties plus the number of shares of common stock expected to be sold in the offering described in the prospectus of which these financial statements are a part in order to raise sufficient proceeds to fund the cash to be paid in exchange for the Properties. All shares were assumed to have been outstanding since the beginning of the periods presented. Basic and diluted pro forma net earnings per share are the same, as there are no potentially dilutive shares for any period presented.

Subsequent Events

Management has evaluated events and transactions associated with the Properties after the balance sheet date through November 25, 2011, the date these financial statements were issued.

3. Asset Retirement Obligations

Asset retirement obligations represent the present value of the estimated cash flows expected to be incurred to plug, abandon and remediate producing properties, excluding salvage values, at the end of their productive lives in accordance with applicable laws. The significant unobservable inputs to this fair value measurement include

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Notes to Financial Statements

estimates of plugging, abandonment, remediation costs, and well life. The inputs are calculated based on historical data as well as current estimates. When the liability is initially recorded, the entity increases the carrying amount of the related long-lived asset. Over time, accretion of the liability is recognized each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, any gain or loss is treated as an adjustment to the full cost pool.

One well was drilled in late 2009 and additional wells were drilled in 2010 and 2011. The following represents the changes to the asset retirement obligation for the periods presented:

	Year Ended December 31, 2009	Year Ended December 31, 2010	Nine Months Ended September 30, 2011
Balance, beginning of period	$	$ 10,332	$ 59,906
Liabilities incurred during period	10,133	47,158	9,091
Accretion of expense	199	2,416	4,140
Balance, end of period	$ 10,332	$ 59,906	$ 73,137

4. Related Party Transactions

As noted previously, SOG, an affiliated company, pursuant to an MSA, provides all employee, management, and administrative support to SEP I, and a portion of its total general and administrative expenses has been allocated to the Properties.

5. Fair Value of Financial Instruments

Measurements of fair value of derivative instruments are classified according to the fair value hierarchy, which prioritizes the inputs to the valuation techniques used to measure fair value. Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are classified and disclosed in one of the following categories:

Level 1: Measured based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Active markets are considered those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Measured based on quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that can be valued using observable market data. Substantially all of these inputs are observable in the marketplace throughout the term of the derivative instrument, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace.

Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e. supported by little or no market

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Notes to Financial Statements

activity). The valuation models used to value derivatives associated with the Properties are primarily industry standard models that consider various inputs including: (a) quoted forward prices for commodities, (b) time value, and (c) current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Although third party quotes are utilized to assess the reasonableness of the prices and valuation techniques, there is not sufficient corroborating evidence to support classifying these assets and liabilities as Level 2.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Management s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. As of December 31, 2009 and 2010, there were no financial assets or liabilities measured at fair value on a recurring basis.

Derivatives

At September 30, 2011, the derivative contracts associated with the Properties were classified as noted in the table below:

Description	Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Carrying Value
Oil Put Spread	$	$	$ 3,499,122	$ 3,499,122
Total	$	$	$ 3,499,122	$ 3,499,122

The following table sets forth a reconciliation of changes in the fair value of derivative assets and liabilities classified as Level 3 in the fair value hierarchy during the nine months ended September 30, 2011:

	Significant Unobservable Inputs (Level 3)
Beginning balance	$
Additions	1,940,800
Unrealized gains	1,558,322
Ending balance	$ 3,499,122
Change in unrealized gains included in earnings relating to derivatives still held at period end	$ 1,558,322

Non-Financial Assets and Liabilities

The fair value of non-financial assets and liabilities, such as asset retirement obligations and impairments of unevaluated oil and natural gas properties, are recognized on a non-recurring basis. See Notes 2 and 3 for further information.

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Notes to Financial Statements

6. Sales to Major Customers

Oil and natural gas production representing 10% or more of total revenues associated with the Properties for the years ended December 31, 2009 and 2010 was sold to the following major customers:

	2009	2010
Customer A	100%	
Customer B		81%
Customer C		19%

Production is normally sold to relatively few customers. Substantially all of the customers that purchase production associated with the Properties are concentrated in the oil and natural gas industry and revenue can be materially affected by current economic conditions, the price of certain commodities such as crude oil and natural gas and the availability of alternate purchasers. Management believes the loss of any of their major customers would not have a long-term material adverse effect on their operations.

7. Commitments and Contingencies

From time to time, SEP I and SOG may be involved in lawsuits that arise in the normal course of their businesses which may affect the Properties. It is the opinion of management and counsel that the outcome of any such lawsuits will not materially affect the financial position and operations of the Properties.

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Unaudited Supplementary Information

Supplemental oil and natural gas information

The following information represents estimates of proved reserves associated with the Properties as of December 31, 2009 and 2010. The Properties had no proved reserves at year end 2008. Proved reserves for all periods presented were estimated in accordance with the guidelines established by the SEC and the Financial Accounting Standards Board (FASB). The rules effective for fiscal years ended on or after December 31, 2009 require SEC reporting companies to prepare their reserve estimates based on using the average prices during the 12-month period prior to the ending date of the period covered in the report, determined as the unweighted arithmetic average of the prices in effect on the first-day-of-the month for each month within such period, unless prices were defined by contractual arrangements. The product prices used to determine the future gross revenues for each property reflect adjustments to the benchmark prices for gravity, quality, local conditions, and/or distance from the market. The pricing used for the estimates of the Properties reserves of oil and condensate as of December 31, 2009 and 2010 was based on an unweighted twelve month West Texas Intermediate posted price of $61.18 and $79.43, respectively. For natural gas the average price was based on an unweighted twelve month Henry Hub spot natural gas price average of $3.86 and $4.38 as of December 31, 2009 and 2010, respectively.

Proved reserves are those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probalistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

Proved developed reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared with the cost of a new well.

Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required. Reserves on undrilled acreage are limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of producing economic quantities at a greater distance. Only those undrilled locations that are scheduled to be drilled within five years pursuant to a development plan can be allocated to undeveloped reserves.

Estimates of proved developed and undeveloped reserves as of December 31, 2009 and December 31, 2010 are based on estimates made by the independent engineers, Ryder Scott.

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Unaudited Supplementary Information

Capitalized costs relating to oil and gas producing activities

The following table sets forth the capitalized costs associated with the Properties as of the dates presented:

	As of December 31,		
	2008	2009	2010
Oil and Natural Gas Properties:			
Unproved	$ 14,262,353	$ 12,972,566	$ 20,822,377
Proved		1,226,266	5,674,392
Total Oil and Natural Gas Properties	14,262,353	14,198,832	26,496,769
Less Accumulated depreciation, depletion and amortization		(1,029,621)	(2,457,211)
Net oil and natural gas properties capitalized	$ 14,262,353	$ 13,169,211	$ 24,039,558

Costs incurred in oil and natural gas property acquisition, exploration, and development activities

The following table sets forth costs incurred associated with the Properties for the periods presented.

	Year Ended December 31,		
	2008	2009	2010
Unproved property acquisition costs	$ 10,234,180	$ 346,166	$ 8,964,129
Exploration costs (1)	4,028,173	2,736,275	6,377,467
Development costs			2,879,826
Total Costs Incurred	$ 14,262,353	$ 3,082,441	$ 18,221,422

(1) Includes seismic costs of $4,028,173, $1,752,803, and $249,323 for 2008, 2009, and 2010, respectively.

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Unaudited Supplementary Information

Net proved and proved developed reserve quantities summary

The following table sets forth the net proved and proved developed reserves activity for the years ended December 31, 2009 and 2010. No proved reserves were associated with the Properties at December 31, 2008.

	Oil (Bo)	Gas (Mcf s)	Bo Oil Equivalent (1)
Proved developed and undeveloped reserves:			
Balance as of December 31, 2008			
Extensions and discoveries	8,998	5,525	9,919
Production	(3,360)		(3,360)
Balance as of December 31, 2009	5,638	5,525	6,559
Revisions of previous estimates	(74)	(5,525)	(995)
Extensions and discoveries	2,681,208	2,684,354	3,128,600
Production	(55,808)	(31,854)	(61,117)
Balance as of December 31, 2010	2,630,964	2,652,500	3,073,047
Proved developed reserves:			
As of December 31, 2009	5,638	5,525	6,559
As of December 31, 2010	361,983	1,540,698	618,766
Proved undeveloped reserves:(2)			
As of December 31, 2009			
As of December 31, 2010	2,268,981	1,111,802	2,454,281

(1) Oil equivalents are determined under the relative energy content method by using the ratio of 6.0 Mcf of gas to 1.0 Bo of oil.

(2) In early 2010, three successful wells were drilled in a large contiguous acreage block known as the Palmetto area which resulted in the initial booking of substantial proved undeveloped reserves at December 31, 2010.

Standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves

The following table sets forth the standardized measure of discounted future net cash flows from projected production of proved crude oil and natural gas reserves associated with the Properties as of December 31, 2009 and 2010. No proved reserves were associated with the Properties as of December 31, 2008. The future cash flows are based on average sales prices during the prior 12-month period and cost rates in existence at the time of the projections. Because the Properties have historically been owned by a partnership which is not a taxable

entity and as such does not directly pay federal income taxes, no estimate for future income taxes is provided for

Table of Contents

Oil and Natural Gas Properties to be Transferred to

Sanchez Energy Corporation

Unaudited Supplementary Information

the relevant historical periods. The pro forma disclosure as of December 31, 2010 reflects the effect of income taxes on future net cash flows assuming that the formation transactions are completed and the tax basis of the Properties is adjusted for the estimated distribution to be paid to the parent.

	As of December 31,		Pro Forma as of December 31,
	2009	2010	2010
Future cash inflows	$ 350,288	$ 214,495,891	$ 214,495,891
Future production costs	(144,017)	(46,468,150)	(46,468,150)
Future development costs		(70,049,234)	(70,049,234)
Future income taxes			(11,892,477)
Discount to present value at 10% annual rate	(9,428)	(47,267,698)	(41,530,419)
Standardized measure of discounted future net cash flows	$ 196,843	$ 50,710,809	$ 44,555,611

Changes in standardized measure of discounted future net cash flows

The following table sets forth the changes in the standardized measure of future net cash flows for the years ended December 31, 2009 and 2010. The Properties had no proved reserves at December 31, 2008. The pro forma disclosure for the year ended December 31, 2010 reflects the effect of income taxes on future net cash flows assuming that the formation transactions are completed and the tax basis of the Properties is adjusted for the estimated distribution to be paid to the parent.

	Year Ended December 31,		Pro Forma Year Ended December 31,
	2009	2010	2010
Summary of Changes			
Balance, beginning of period	$	$ 196,843	$ 31,744
Changes in prices and costs		44,513	44,513
Revisions of previous estimates		(29,861)	(29,861)
Extensions and discoveries	418,544	88,538,401	88,538,401
Sales of oil and gas - net of production costs	(221,701)	(3,947,704)	(3,947,704)
Net changes in income taxes			(5,990,099)
Net changes in development costs		(36,255,449)	(36,255,449)
Accretion of discount		19,684	19,684
Other		2,144,382	2,144,382
Net change	196,843	50,513,966	44,523,867

Balance, end of period	$ 196,843	$ 50,710,809	$ 44,555,611

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder of

Sanchez Energy Corporation

Houston, Texas

We have audited the accompanying balance sheet of Sanchez Energy Corporation (the Company) as of August 22, 2011 (date of inception). The balance sheet is the responsibility of the Company s management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of the Company as of August 22, 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Houston, Texas

September 1, 2011

Table of Contents

Sanchez Energy Corporation

Balance Sheet as of August 22, 2011 (Date of Inception)

ASSETS	
Total assets	$
STOCKHOLDER S EQUITY	
Common stock, $0.01 par value, 1,000 shares authorized; none issued and outstanding	$
Total stockholder s equity	$

The accompanying notes are an integral part of this balance sheet.

F-22

Table of Contents

Sanchez Energy Corporation

Notes to Balance Sheet

(1) Organization and basis of presentation

Organization

Sanchez Energy Corporation (the Company) was incorporated pursuant to the laws of the State of Delaware on August 22, 2011 for the purpose of acquiring and developing oil and natural gas properties.

Basis of presentation

This balance sheet is presented in conformity with accounting principles generally accepted in the United States of America. Separate statements of operations, stockholder s equity, and cash flows have not been presented because the Company has had no business transactions or activities as of August 22, 2011.

(2) Subsequent Events (Unaudited)

Management evaluated subsequent events through September 1, 2011, which is the date the balance sheet was available to be issued, and again through November 25, 2011, the date the balance sheet was reissued.

On November 8, 2011, the Company entered into the Marquis Contribution Agreement with a private seller to acquire Marquis LLC, which owns a 100% working interest and an approximate 75% net revenue interest in approximately 54,900 net acres in Fayette, Lavaca, Atascosa, Webb and DeWitt Counties of South Texas. The Company has agreed to pay the seller approximately $89 million in cash, subject to customary pre- and post-closing adjustments (and exclusive of certain costs and expenses for which the Company has agreed to reimburse the seller in cash at closing), and $20 million in shares of its common stock, or 800,000 shares of its common stock assuming an initial offering price of $25.00 per share (the midpoint of the price range set forth on the cover of this prospectus). The acreage that the Company is acquiring is subject to an overriding royalty interest that was previously conveyed by the seller to an affiliate as part of the transactions contemplated by the Marquis Contribution Agreement. Approximately 48,600 net acres are located in what the Company believes to be the volatile oil window of the Eagle Ford Shale in southwest Fayette and northeast Lavaca Counties, Texas. For the period from January 2012 through December 2013, the Company plans to spend approximately $135 million to drill 18 gross (18 net) wells in the Company s Marquis area. See The Marquis Acquisition for additional information.

Table of Contents

APPENDIX A

Glossary of Terms

The following includes a description of the meanings of some of the oil and natural gas industry terms used in this prospectus. The definitions of analogous reservoir, development project, development well, economically producible, estimated ultimate recovery, exploratory well, and resources have been excerpted from the applicable definitions contained in Rule 4-10(a) of Regulation S-X.

analogous reservoir: Analogous reservoirs, as used in resource assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery. When used to support proved reserves, analogous reservoir refers to a reservoir that shares all of the following characteristics with the reservoir of interest: (i) the same geological formation (but not necessarily in pressure communication with the reservoir of interest); (ii) the same environment of deposition; (iii) similar geologic structure; and (iv) the same drive mechanism.

API gravity: A system of classifying oil based on its specific gravity, whereby the greater the gravity, the lighter the oil.

basin: A large depression on the earth s surface in which sediments accumulate.

bo: 42 U.S. gallons liquid volume, used in reference to oil or other liquid hydrocarbons.

boe: One barrel of oil equivalent, calculated by converting natural gas to oil equivalent barrels at a ratio of six mcf of natural gas to one bo of oil.

boe/d: One boe per day.

bopd: One bo per day.

btu: One British thermal unit, the quantity of heat required to raise the temperature of a one-pound mass of water by one degree Fahrenheit.

completion: The process of treating a drilled well followed by the installation of permanent equipment for the production of oil or natural gas, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

development project: A development project is the means by which petroleum resources are brought to the status of economically producible. As examples, the development of a single reservoir or field, an incremental development in a producing field or the integrated development of a group of several fields and associated facilities with a common ownership may constitute a development project.

developed acreage: The number of acres that are allocated or assignable to producing wells or wells capable of production.

development well: A well drilled within the proved area of an oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

differential: An adjustment to the price of oil or natural gas from an established spot market price to reflect differences in the quality and/or location of oil or natural gas.

dry hole: A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production would exceed production expenses and taxes.

Table of Contents

economically producible: The term economically producible, as it relates to a resource, means a resource that generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation.

estimated ultimate recovery: Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

exploitation: A development or other project that may target proven or unproven reserves (such as probable or possible reserves), but that generally has a lower risk than that associated with exploration projects.

exploratory well: A well drilled to find and produce oil and natural gas reserves not classified as proved, to find a new reservoir in a field previously found to be productive of oil or natural gas in another reservoir or to extend a known reservoir.

field: An area consisting of a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.

gross acres or gross wells: The total acres or wells, as the case may be, in which we have working interest.

horizontal drilling: A drilling technique used in certain formations where a well is drilled vertically to a certain depth and then drilled at a right angle within a specified interval.

independent exploration and production company: A company whose primary line of business is the exploration and production of crude oil and natural gas.

mbo: One thousand bo.

mboe: One thousand boe.

mcf: One thousand cubic feet of natural gas.

mmboe: One million boe.

mmbtu: One million British thermal units.

mmcf: One million cubic feet of natural gas.

net acres or net wells: Gross acres or wells, as the case may be, multiplied by our working interest ownership percentage.

net production: Production that is owned by us less royalties and production due others.

net revenue interest: A working interest owner s gross working interest in production less the royalty, overriding royalty, production payment and net profits interests.

NGLs: The combination of ethane, propane, butane and natural gasolines that when removed from natural gas become liquid under various levels of higher pressure and lower temperature.

NYMEX: New York Mercantile Exchange.

operator: The individual or company responsible for the exploration and/or production of an oil or natural gas well or lease.

possible reserves: Additional reserves that are less certain to be recognized than probable reserves.

probable reserves: Additional reserves that are less certain to be recognized than proved reserves but that, in sum with proved reserves, are as likely as not to be recovered.

productive well: A well that produces commercial quantities of hydrocarbons, exclusive of its capacity to produce at a reasonable rate of return.

Table of Contents

proved developed reserves: Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

proved reserves: The estimated quantities of oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be commercially recoverable in future years from known reservoirs under existing economic and operating conditions.

proved undeveloped reserves: Proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

realized price: The cash market price less all expected quality, transportation and demand adjustments.

recompletion: The completion for production of an existing wellbore in another formation from that which the well has been previously completed.

reserve: That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

reserve life: A measure of the productive life of an oil and natural gas property or a group of properties, expressed in years. Reserve life is calculated by dividing proved reserve volumes at year-end by production volumes. In our calculation of reserve life, production volumes are based on annualized fourth quarter production and are adjusted, if necessary, to reflect property acquisitions and dispositions.

reservoir: A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas that is confined by impermeable rock or water barriers and is individual and separate from other reserves.

resources: Resources are quantities of oil and natural gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable and another portion may be considered unrecoverable. Resources include both discovered and undiscovered accumulations.

spacing: The distance between wells producing from the same reservoir. Spacing is often expressed in terms of acres (e.g., 40-acre spacing) and is often established by regulatory agencies.

standardized measure: The present value of estimated future net revenue to be generated from the production of proved reserves, determined in accordance with the rules and regulations of the SEC (using prices and costs in effect as of the date of estimation), less future development, production and income tax expenses, and discounted at 10% per annum to reflect the timing of future net revenue. Standardized measure does not give effect to derivative transactions.

trend: A geographic area with hydrocarbon potential.

undeveloped acreage: Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves.

wellbore: The hole drilled by the bit that is equipped for oil or natural gas production on a completed well. Also called well or borehole.

working interest: An interest in an oil and natural gas lease that gives the owner of the interest the right to drill for and produce oil and natural gas on the leased acreage and requires the owner to pay a share of the costs of drilling and production operations.

workover: Operations on a producing well to restore or increase production.

WTI: West Texas Intermediate.

Table of Contents

10,000,000 Shares

Sanchez Energy Corporation

COMMON STOCK

PRELIMINARY PROSPECTUS

, 2011

Johnson Rice & Company L.L.C. **Macquarie Capital**

Simmons & Company

International

Canaccord Genuity

Capital One Southcoast

Cowen and Company

Stifel Nicolaus Weisel

Through and including , 2011 (25 days after the commencement of this offering), all dealers that effect transactions in these shares, whether or not participating in this offering, may be required to deliver a prospectus. This delivery is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

Table of Contents

Part II

Information required in the registration statement

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Set forth below are the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the SEC registration fee and the FINRA filing fee, the amounts set forth below are estimates.

SEC registration fee	$ 33,172
FINRA filing fee	28,750
Printing and engraving expenses	225,000
Legal counsel fees and expenses	1,500,000
Accounting fees and expenses	400,000
Transfer agent and registrar fees	31,000
NYSE listing fee	156,000
Miscellaneous	626,078
Total	$ 3,000,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Sanchez Energy Corporation, or the Company, is incorporated in Delaware. Section 145(a) of the Delaware General Corporation Law, or the DGCL, provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorneys fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if he or she acted under similar standards to those set forth above, except that no indemnification may be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine that despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to be indemnified for such expenses which the court shall deem proper.

Section 145 of the DGCL further provides that, to the extent a director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsection (a) and (b) or in the defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys fees) actually and reasonably incurred by him in connection therewith; that indemnification provided for by Section 145 of the DGCL shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and that the corporation may purchase and maintain insurance on behalf of a director or officer of the

Table of Contents

corporation against any liability asserted against such officer or director and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liabilities under Section 145 of the DGCL.

The Company s certificate of incorporation limits the liability of its directors for monetary damages for breach of their fiduciary duty as directors, except for liability that cannot be eliminated under the DGCL. Delaware law provides that directors of a company will not be personally liable for monetary damages for breach of their fiduciary duty as directors, except for liabilities:

- for any breach of their duty of loyalty to the Company or its stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- for unlawful payment of dividend or unlawful stock repurchase or redemption, as provided under Section 174 of the DGCL; or
- for any transaction from which the director derived an improper personal benefit.

Any amendment, repeal or modification of these provisions will be prospective only and would not affect any limitation on liability of a director for acts or omissions that occurred prior to any such amendment, repeal or modification.

The Company s certificate of incorporation and bylaws also provide that it will indemnify its directors and officers to the fullest extent permitted by Delaware law. The Company s certificate of incorporation and bylaws also permit it to purchase insurance on behalf of any officer, director, employee or other agent for any liability arising out of that person s actions as its officer, director, employee or agent, regardless of whether Delaware law would permit indemnification. The Company intends to enter into indemnification agreements with each of its current and future directors and officers. These agreements will require the Company to indemnify these individuals to the fullest extent permitted under Delaware law against liability that may arise by reason of their service to the Company, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. The Company believes that the limitation of liability provision in its certificate of incorporation and the indemnification agreements will facilitate its ability to continue to attract and retain qualified individuals to serve as directors and officers.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

In connection with its formation in August 2011, the Company issued 1,000 shares of its common stock to Sanchez Energy Partners I, LP in exchange for consideration of $10.00. The issuance of these shares was exempt from the registration requirements of the Securities Act of 1933, as amended, or the Securities Act, pursuant to Section 4(2) of the Securities Act.

Table of Contents

ITEM 16. EXHIBITS.

The following documents are filed as exhibits to this registration statement:

Exhibit Number	Description
1.1	Form of Underwriting Agreement
(2.1)	Form of Contribution, Conveyance and Assumption Agreement
(2.2)+	Contribution Agreement between Sanchez Energy Corporation and Ross Exploration, Inc., dated November 8, 2011
(3.1)	Form of Amended and Restated Certificate of Incorporation of Sanchez Energy Corporation
(3.2)	Form of Amended and Restated Bylaws of Sanchez Energy Corporation
(4.1)	Form of Common Stock Certificate
(5.1)	Opinion of Akin Gump Strauss Hauer & Feld LLP as to the legality of the securities being registered
(10.1)	Form of Services Agreement by and between Sanchez Oil & Gas Corporation and Sanchez Energy Corporation
(10.2)	Form of Geophysical Seismic Data Use License Agreement by and among Sanchez Oil & Gas Corporation, Sanchez Energy Corporation and its subsidiaries
(10.3)	Sanchez Energy Corporation 2011 Long Term Incentive Plan
(10.4)	Form of Registration Rights Agreement between Sanchez Energy Corporation and Sanchez Energy Partners I, LP
(10.5)	Form of Indemnification Agreement between Sanchez Energy Corporation and each of the officers and directors thereof
(21.1)	List of Subsidiaries of Sanchez Energy Corporation
(23.1)	Consent of BDO USA, LLP
23.2	Consent of Ryder Scott Company, L.P.
(23.3)	Consent of Akin Gump Strauss Hauer & Feld LLP (contained in Exhibit 5.1)
(23.4)	Consent of Gilbert A. Garcia, as director nominee
(99.1)	Ryder Scott Company, L.P. Summaries of December 31, 2010 and June 30, 2011 Reserves

* To be provided by amendment.

Management contract or compensatory plan or arrangement.

( ) Previously filed with this registration statement

\+ The schedules and exhibits to this agreement have been omitted for this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of such schedules and exhibits to the Securities and Exchange Commission upon request.

Table of Contents

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant 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, the registrant 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 Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus 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.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on November 30, 2011.

Sanchez Energy Corporation

By: /s/ Antonio R. Sanchez, III
Antonio R. Sanchez, III
President, Chief Executive Officer and Chairman

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

Signature	Title	Date
/s/ Antonio R. Sanchez, III Antonio R. Sanchez, III	Director, President, Chief Executive Officer and Chairman (Principal Executive Officer)	November 30, 2011
/s/ Michael G. Long Michael G. Long	Senior Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	November 30, 2011

II-5

Table of Contents

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