

ABRAXAS PETROLEUM CORP  
Form PRE 14A  
March 16, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant:

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**ABRAXAS PETROLEUM CORPORATION**

**(Name of Registrant as Specified in its Charter)**

Payment of Filing Fee (Check the appropriate box):

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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4. Proposed maximum aggregate value of transaction:
  
  
  
  
  
  
  
  
  
  
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4. Date Filed:

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**ABRAXAS PETROLEUM CORPORATION**

18803 Meisner Drive

San Antonio, Texas 78258

(210) 490-4788

April , 2017

Dear Stockholders:

You are invited to attend the 2017 Annual Meeting of Stockholders of Abraxas Petroleum Corporation to be held on May , 2017, at 9:00 a.m., local time, at our corporate office located at 18803 Meisner Drive, San Antonio, Texas 78258. We hope that you will be able to attend the meeting. Matters on which action will be taken at the meeting are explained in detail in the notice and proxy statement following this letter.

The annual report, notice of Annual Meeting, proxy statement and proxy card are enclosed. Proxy cards are being solicited on behalf of our Board of Directors.

Regardless of whether you plan to attend the Annual Meeting, we hope you will read the attached proxy statement carefully and vote your shares by promptly submitting a proxy by signing, dating and returning the enclosed proxy card in the postage-paid envelope provided or by submitting your proxy by telephone or the Internet as soon as possible. Instructions regarding telephone and Internet voting are included on the proxy card or voting instruction form (or, if applicable, your electronic delivery notice). Choosing one of these voting options ensures your representation at the Annual Meeting regardless of whether you attend in person.

**If you have any questions or need assistance in voting your shares, please contact our proxy solicitor, Morrow Sodali LLC toll free at (800) 662-5200.**

Thank you for your continued support of Abraxas Petroleum Corporation.

Robert L.G. Watson

Chairman of the Board, President,

and Chief Executive Officer

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**ABRAXAS PETROLEUM CORPORATION**

18803 Meisner Drive

San Antonio, Texas 78258

(210) 490-4788

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY , 2017**

To the Stockholders of Abraxas Petroleum Corporation:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Abraxas Petroleum Corporation ( Abraxas or the Company ) will be held at our corporate office located at 18803 Meisner Drive, San Antonio, Texas 78258, on May , 2017, at 9:00 a.m., local time, for the following purposes:

- (1) To elect as directors to the Abraxas Board of Directors the three nominees named below for a term of three years:

Robert L. G. Watson

Ralph F. Cox

Dennis E. Logue

- (2) To ratify the appointment of BDO USA, LLP as Abraxas independent registered public accounting firm for the year ending December 31, 2017;
- (3) To approve amendments to the Amended and Restated Abraxas Petroleum Corporation 2005 Employee Long-Term Equity Incentive Plan to increase the total number of shares of common stock authorized for issuance under the plan from 10,600,000 to 12,600,000 and to change the acceleration of the vesting of awards under the plan upon a change of control of the Company;
- (4) To approve an amendment to the Amended and Restated Abraxas Petroleum Corporation 2005 Non-Employee Directors Long-Term Equity Incentive Plan to increase the total number of shares of common stock authorized for issuance under the plan from 1,900,000 to 2,900,000;

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- (5) To approve an amendment to the Company's Articles of Incorporation to increase the Company's authorized shares of common stock from 200,000,000 shares to 400,000,000 shares;
- (6) To approve, on an advisory basis, the compensation of the Company's named executive officers;
- (7) To approve, on an advisory basis, the frequency of future advisory votes on executive compensation;
- (8) To postpone or adjourn, if necessary or appropriate, the Annual Meeting to a later time to solicit additional proxies in favor of Proposals 2 through 6 and for one year for Proposal 7; and
- (9) To transact any other business that has been properly brought before the meeting in accordance with the provisions of the Company's Amended and Restated Bylaws.

Your Board recommends that you vote FOR the nominees named in Proposal 1, FOR Proposals 2, 3, 4, 5, 6 and 8 and FOR One Year for Proposal 7.

We invite you to attend the Annual Meeting in person. Whether or not you expect to attend the Annual Meeting, we urge you to mark, sign, date, and return the enclosed proxy card in the envelope provided or vote by telephone or over the Internet as soon as possible. If you are a beneficial holder, you may also vote your shares by telephone or the Internet using the instructions on each proxy card. You may revoke your proxy at any time prior to the Annual Meeting, and, if you attend the Annual Meeting, you may vote your shares of Abraxas common stock in person.

The Board of Directors has fixed the close of business on March 15, 2017 as the record date for the determination of the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. Only stockholders of record at the close of business on March 15, 2017 will be entitled to vote at the Annual Meeting

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and any adjournments or postponements thereof. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at our offices, 18803 Meisner Drive, San Antonio, Texas 78258 for 10 days prior to the Annual Meeting. If you would like to review the stockholder list, please call our Investor Relations department at (210) 490-4788 to schedule an appointment.

All stockholders are cordially invited to attend the Annual Meeting. If you have any questions about the attached proxy or require assistance in voting your shares on the proxy card or voting instruction form, or need additional copies of the Company's proxy materials, please contact the firm assisting us in the solicitation of proxies, Morrow Sodali LLC, toll free at (800) 662-5200.

By Order of the Board of Directors,

Stephen T. Wendel

SECRETARY

San Antonio, Texas

April , 2017

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held May , 2017**

**This proxy statement and our 2016 Annual Report on Form 10-K are**

**available at [www.proxydocs.com/AXAS](http://www.proxydocs.com/AXAS), which does not have cookies that identify visitors to the site.**

If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor at the contact listed below:

470 West Avenue

Stamford, Connecticut 06902

(203) 658-9400 (Call Collect)

or

**Call Toll-Free (800) 662-5200**

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**ABRAXAS PETROLEUM CORPORATION**

18803 Meisner Drive

San Antonio, Texas 78258

(210) 490-4788

**PROXY STATEMENT**

The Board of Directors of Abraxas Petroleum Corporation ( Abraxas or the Company ) is soliciting proxies to vote shares of common stock at the 2017 Annual Meeting of Stockholders to be held at 9:00 a.m., local time, on May , 2017, at Abraxas Petroleum Corporation located at 18803 Meisner Drive, San Antonio, Texas 78258, and at any adjournment thereof. This proxy statement and the accompanying proxy are first being mailed to stockholders on or about April , 2017. For ten days prior to the Annual Meeting, a complete list of stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder for any purpose relevant to the Annual Meeting during regular business hours at Abraxas executive offices, located at the address set forth above. If you would like to review the stockholder list, please call our Investor Relations department at (210) 490-4788 to schedule an appointment.

**Record Date; Shares Entitled To Vote; Quorum**

The Board of Directors has fixed the close of business on March 15, 2017 as the record date for Abraxas stockholders entitled to notice of and to vote at the Annual Meeting. Only holders of common stock as of the record date are entitled to vote at the Annual Meeting. As of the record date, there were 163,844,255 shares of Abraxas common stock outstanding, which were held by approximately 990 holders of record. Stockholders are entitled to one vote for each share of Abraxas common stock held as of the record date.

The holders of a majority of the outstanding shares of Abraxas common stock issued and entitled to vote at the Annual Meeting must be present in person or by proxy to establish a quorum for business to be conducted at the Annual Meeting. Abstentions and broker non-votes are treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

A broker non-vote occurs when you fail to provide your broker with voting instructions and the broker does not have the discretionary authority to vote your shares on a particular proposal because the proposal is not a routine matter under New York Stock Exchange rules. A broker non-vote may also occur if your broker fails to vote your shares for any reason. Brokers cannot vote on their customers behalf on non-routine proposals such as Proposals One, Three, Four, Six and Seven. Because brokers require their customers direction to vote on such non-routine matters, it is critical that stockholders provide their brokers with voting instructions. Proposal Two, ratification of the appointment of our independent registered public accounting firm, Proposal Five, the amendment of our articles of incorporation to increase the number of authorized shares of Common Stock, and Proposal Eight, the postponement or adjournment of the Annual Meeting, will be routine matters for which your broker does not need your voting instruction in order to vote your shares.

## **Votes Required**

The votes required for each proposal is as follows:

*Election of Directors.* Each share of our Common Stock is entitled to one vote with respect to the election of directors. The nominees for director who receive the most votes will be elected. Therefore, if you do not vote for a particular nominee or you indicate `withhold authority to vote` for a particular nominee on your proxy card, your vote will have no effect on the election of directors. To be elected, each director must receive a plurality of the votes cast at the meeting. Broker non-votes are not considered votes cast `for` or `against` this proposal and will have no effect on the approval to elect directors.

If you sign and submit your proxy card or voting instruction form without specifying how you would like your shares voted, your shares will be voted FOR the Board's recommendations specified below under Proposal One-Election of Directors, and in accordance with the discretion of the proxy holders with respect to any other matters that

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may be voted upon at the Annual Meeting. Should the Company lawfully identify or nominate substitute or additional nominees before the Annual Meeting, we will file supplemental proxy material that identifies such nominee(s), discloses whether such nominee(s) has (have) consented to being named in the proxy material and to serve if elected and includes the relevant required disclosures with respect to such nominee(s).

**The Board of Directors recommends a vote FOR each of its nominees on the proxy card.**

*Appointment of Independent Registered Public Accounting Firm.* Each share of our Common Stock is entitled to one vote with respect to the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm. The affirmative vote of holders of a majority of the shares of Common Stock present at the Annual Meeting in person or represented by proxy and entitled to vote on the matter will be considered to determine the outcome of this proposal. Abstentions from voting will have the same effect as a vote against this proposal. This proposal is a routine matter for which your broker does not need your voting instruction in order to vote your shares. The outcome of this proposal is advisory in nature and is non-binding.

**The Board of Directors recommends a vote FOR the ratification of the selection of BDO USA, LLP, as Abraxas independent registered public accounting firm for the fiscal year ending December 31, 2017.**

*Approval of amendments to the Amended and Restated Abraxas Petroleum Corporation 2005 Employee Long-Term Equity Incentive Plan.* Each share of our Common Stock is entitled to one vote with respect to the approval of the amendments to the Amended and Restated Abraxas Petroleum Corporation 2005 Employee Long-Term Equity Incentive Plan, which we refer to as the LTIP. The affirmative vote of a majority of the votes cast, in person or by proxy, will be considered to determine the outcome of this proposal. Abstentions from voting and broker non-votes will have no effect on the outcome of this proposal. Brokers, as nominees for the beneficial owner, may not exercise discretion in voting on this matter and may only vote on this proposal as instructed by the beneficial owner of the shares.

**The Board of Directors recommends a vote FOR the approval of the amendments to the LTIP.**

*Approval of an amendment to the Amended and Restated Abraxas Petroleum Corporation 2005 Non-Employee Directors Long-Term Equity Incentive Plan.* Each share of our Common Stock is entitled to one vote with respect to the approval of the amendment to the Amended and Restated Abraxas Petroleum Corporation 2005 Non-Employee Directors Long-Term Equity Incentive Plan, which we refer to as the Directors Plan. The affirmative vote of a majority of the votes cast, in person or by proxy, will be considered to determine the outcome of this proposal. Abstentions from voting and broker non-votes will have no effect on the outcome of this proposal. Brokers, as nominees for the beneficial owner, may not exercise discretion in voting on this matter and may only vote on this proposal as instructed by the beneficial owner of the shares.

**The Board of Directors recommends a vote FOR the approval of the amendment to the Directors Plan.**

*Increase in Authorized Shares.* Each share of our Common Stock is entitled to one vote with respect to the approval of an amendment to our Articles of Incorporation to increase the number of shares of common stock we are authorized to issue from 200,000,000 shares to 400,000,000 shares. The affirmative vote of holders of a majority of the outstanding shares of Common Stock is necessary to approve this item. Abstentions from voting will have the same effect as a vote against this proposal. This proposal is a routine matter for which your broker does not need your voting instruction in order to vote your shares.

**The Board of Directors recommends a vote FOR the approval of an amendment to our Articles of Incorporation to increase the number of shares of common stock we are authorized to issue.**

*Advisory Vote on Executive Compensation.* Each share of our Common Stock is entitled to one vote with respect to the approval, in a non-binding, advisory vote, of the compensation of our named executive officers. The affirmative vote of holders of a majority of the shares of Common Stock present at the Annual Meeting in person or represented by proxy and entitled to vote on the matter will be considered to determine the outcome of this proposal. Abstentions from voting will have the same effect as a vote against this proposal, and broker non-votes will have no effect on the outcome of this proposal. Brokers, as nominees for the beneficial owner, may not exercise discretion in voting on this matter and may only vote on this proposal as instructed by the beneficial owner of the shares. The outcome of this proposal is advisory in nature and is non-binding.

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**The Board of Directors recommends a vote FOR the approval of the compensation of our named executive officers.**

*Advisory Vote on Frequency of Future Advisory Votes on Named Executive Officer Compensation.* Each share of our Common Stock is entitled to one vote with respect to the approval, in a non-binding, advisory vote, of the frequency of future advisory votes on named executive officer compensation. The option (one year, two years or three years) that receives the highest number of votes cast will be deemed the preferred option of our stockholders. Abstentions and broker non-votes will have no effect on the outcome of the vote. Brokers, as nominees for the beneficial owner, may not exercise discretion in voting on this matter and may only vote on this proposal as instructed by the beneficial owner of the shares. The outcome of this proposal is advisory in nature and is non-binding.

**The Board of Directors recommends a vote FOR the approval of ONE YEAR on the proposal determining the frequency of future advisory votes on named executive officer compensation.**

*Postponement or Adjournment of the Annual Meeting.* Each share of our Common Stock is entitled to one vote with respect to the approval of the postponement or adjournment, if necessary or appropriate, of the Annual Meeting. Assuming the presence of a quorum, the affirmative vote of holders of a majority of the outstanding shares of Common Stock present at the Annual Meeting in person or by proxy and entitled to vote on the matter is necessary to approve the adjournment or postponement of the Annual Meeting. Abstentions from voting will have the same effect as a vote against this proposal. This proposal is a routine matter for which your broker does not need your voting instruction in order to vote your shares.

**The Board of Directors recommends a vote FOR the proposal to postpone or adjourn the Annual Meeting.**

## **Voting of Proxies**

If you are a stockholder whose shares are registered in your name, you may vote your shares by one of the following three methods:

**Vote by Internet**, by going to the web address [www.proxyvoting.com/axas](http://www.proxyvoting.com/axas) and following the instructions for Internet voting shown on the enclosed proxy card.

**Vote by Telephone**, by dialing (800) 730-7360 and following the instructions for telephone voting shown on the enclosed proxy card.

**Vote by Proxy Card**, by completing, signing, dating and mailing the enclosed proxy card in the envelope provided. If you vote by Internet or telephone, please do not mail your proxy card.

The deadline for voting electronically through the Internet or by telephone is 11:59 p.m., Eastern Time, on May , 2017.

If your shares are held in street name (through a broker, bank or other nominee), you may receive a separate voting instruction form with this proxy statement, or you may need to contact your broker, bank or other nominee to determine whether you will be able to vote electronically using the Internet or telephone.

**PLEASE NOTE THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU WILL NOT BE PERMITTED TO VOTE IN PERSON AT THE MEETING UNLESS YOU FIRST OBTAIN A LEGAL PROXY ISSUED IN YOUR NAME FROM THE RECORD HOLDER.**

The proxies identified on the proxy card will vote the shares of which you are stockholder of record in accordance with your instructions. If you sign and return your proxy card without giving specific voting instructions, the proxies will vote your shares FOR the nominated slate of directors, FOR proposals two, three, four, five and six and FOR one year in proposal seven. The giving of a proxy will not affect your right to vote in person if you decide to attend the meeting.



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*Stockholder of Record.* If your shares are registered directly in your name or with our transfer agent, American Stock Transfer & Trust Company, LLC, you are considered the stockholder of record with respect to those shares and these proxy materials are being sent directly to you by us. As a stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the Annual Meeting. We have enclosed a proxy card for your use.

*Beneficial Holder.* If your shares are held in a brokerage account or by a bank or other nominee, you are considered the beneficial owner of the shares held in street name, and these proxy materials are being forwarded to you by your broker, bank or other nominee who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker on how to vote and are also invited to attend the meeting. However, since you are not the stockholder of record, in order to vote these shares in person at the meeting you must obtain a legal proxy from your broker, bank or other nominee. Your broker, bank or other nominee has enclosed a proxy card for your use.

## **How to Vote By Proxy; Revocability of Proxies**

To vote by proxy, you must mark, sign, date, and return the proxy card in the enclosed envelope. If you are a beneficial holder, you may also vote your shares by telephone or the Internet using the instructions on each proxy card. Any Abraxas stockholder who delivers a properly executed proxy may revoke the proxy at any time before it is voted.

Whether you vote by telephone, internet or by mail, you can change or revoke your proxy before it is voted at the meeting by:

submitting a new proxy card bearing a later date;

voting again by telephone or the Internet at a later time;

giving written notice before the meeting to our Secretary at the address set forth on the cover of this proxy statement stating that you are revoking your proxy; or

attending the meeting and voting your shares in person.

Attendance at the Annual Meeting will not, in and of itself, constitute revocation of a proxy. An Abraxas stockholder whose shares are held in the name of a broker, bank or other nominee must bring a legal proxy from his, her or its broker, bank or other nominee to the meeting in order to vote in person.

## **Deadline for Voting by Proxy**

In order to be counted, votes cast by proxy must be received prior to the Annual Meeting.

## **Solicitation of Proxies**

The cost of soliciting proxies in the accompanying form will be borne by Abraxas. Proxies are being solicited by mail, telephone, fax, email, town hall meetings, press releases, press interviews and the Company's Investor Relations

website. In addition to solicitations by mail, a number of officers, directors and regular employees of ours may, at no additional expense to us, solicit proxies in person or by telephone. We have hired Morrow Sodali LLC to assist in the solicitation of proxies at a fee estimated not to exceed \$8,000. In addition, we have agreed to reimburse Morrow Sodali LLC for its reasonable out-of-pocket expenses. We will also make arrangements with brokerage firms, banks and other nominees to forward proxy materials to beneficial owners of shares and will reimburse such nominees for their reasonable costs.

Our website address is included several times in this proxy statement as a textual reference only and the information in the website is not incorporated by reference into this proxy statement.

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### **Important Information Regarding Delivery of Proxy Material**

The Securities and Exchange Commission has adopted rules regarding how companies must provide proxy materials to their stockholders. These rules are often referred to as notice and access, under which a company may select either of the following options for making proxy materials available to its stockholders:

the full set delivery option; or

the notice only option.

A company may use a single method for all of its stockholders, or use full set delivery for some while adopting the notice only option for others.

#### ***Full Set Delivery Option***

Under the full set delivery option, a company delivers all proxy material to its stockholders by mail as it would have done prior to the change in the rules. In addition to delivery of proxy materials to stockholders, the company must post all proxy materials on a publicly-accessible website and provide information to stockholders about how to access the website.

In connection with its 2017 Annual Meeting of Stockholders, Abraxas has elected to use the full set delivery option. Accordingly, you should have received Abraxas proxy materials by mail. These proxy materials include the Notice of Annual Meeting of Stockholders, proxy statement, proxy card and Annual Report on Form 10-K. Additionally, Abraxas has posted these materials at [www.proxydocs.com/AXAS](http://www.proxydocs.com/AXAS).

#### ***Notice Only Option***

Under the notice only option, which we have elected **NOT** to use for the 2017 Annual Meeting, a company must post all proxy materials on a publicly-accessible website. Instead of delivering proxy materials to its stockholders, the Company instead delivers a Notice of Internet Availability of Proxy Material. The notice includes, among other matters:

information regarding the date and time of the Annual Meeting of stockholders as well as the items to be considered at the meeting;

information regarding the website where the proxy materials are posted; and

various means by which a stockholder can request paper or e-mail copies of the proxy materials.

If a stockholder requests paper copies of the proxy materials, these materials must be sent to the stockholder within three business days and by first class mail.

#### ***Abraxas May Use the Notice Only Option in the Future***

Although Abraxas elected to use the full set delivery option in connection with the 2017 Annual Meeting of Stockholders, it may choose to use the notice only option in the future. By reducing the amount of materials that a company needs to print and mail, the notice only option provides an opportunity for cost savings as well as conservation of paper products. Many companies that have used the notice only option have also experienced a lower participation rate resulting in fewer stockholders voting at the Annual Meeting. Abraxas plans to evaluate the future possible cost savings as well as the possible impact on stockholder participation as it considers future use of the notice only option.

### **Householding**

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries (e.g. brokers) to satisfy the delivery requirements for proxy materials with respect to two or more stockholders sharing the same address by delivering a single set of proxy materials. This process, which is commonly referred to as householding, potentially results in extra convenience for stockholders, cost savings for companies and conservation of paper products.

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If, at any time, you no longer wish to participate in householding and would prefer to receive a separate set of proxy materials, you may:

send a written request to Investor Relations, Abraxas Petroleum Corporation, 18803 Meisner Drive, San Antonio, Texas 78258 or call (210) 490-4788, if you are a stockholder of record; or

notify your broker, if you hold your shares in street name.

**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

Abraxas Articles of Incorporation divide the Board of Directors into three classes of directors serving staggered three-year terms, with one class to be elected at each annual meeting. At this year's meeting, three Class II directors are to be elected for a term of three years to hold office until the expiration of their term in 2020, or until a successor has been elected and duly qualified. The nominees for Class II director are Robert L.G. Watson, Ralph F. Cox and Dennis E. Logue. Messrs. Watson, Cox and Logue are currently directors. Each of the director nominees named in this proxy statement has agreed to serve as a director if elected, and we have no reason to believe that any nominee will be unable to serve. In the event that before the annual meeting one or more nominees named in this proxy statement should become unable or unwilling to serve, the persons named in the enclosed proxy will vote the shares represented by any proxy received by our Board of Directors for such other person or persons as may thereafter be nominated for director by the Nominating and Corporate Governance Committee and our Board of Directors.

Assuming the presence of a quorum, the nominees for director who receive the most votes will be elected. The enclosed proxy card provides a means for stockholders to vote for or to withhold authority to vote for the nominees for director. If a stockholder executes and returns a proxy, but does not specify how the shares represented by such stockholder's proxy are to be voted, such shares will be voted FOR the election of the nominees for director. In determining whether this item has received the required number of affirmative votes, abstentions will have no effect. Non-votes are not considered votes cast for or withhold with respect to this proposal at the Annual Meeting and will have no effect on the election of directors.

**The Board of Directors recommends a vote FOR the election of the nominees to the Board of Directors.**

**Board of Directors**

The following table sets forth the names, ages, and positions of the directors of Abraxas. The term of the Class I directors expires in 2018, the term of the Class II directors expires in 2017 and the term of the Class III directors expires in 2019.

**Name**

<b>and Municipality of Residence</b>	<b>Age</b>	<b>Office</b>	<b>Class</b>
Robert L.G. Watson	66		II

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San Antonio, Texas		Chairman of the Board, President and Chief Executive Officer	
Harold D. Carter	78	Director	III
Dallas, Texas			
Ralph F. Cox	84	Director	II
Fort Worth, Texas			
W. Dean Karrash	55	Director	I
North Wales, Pennsylvania			
Jerry J. Langdon	65	Director	III
Houston, Texas			
Dennis E. Logue	73	Director	II
Enfield, New Hampshire			

**Table of Contents****Name**

<b>and Municipality of Residence</b>	<b>Age</b>	<b>Office</b>	<b>Class</b>
Brian L. Melton Oklahoma City, Oklahoma	47	Director	III
Paul A. Powell, Jr. Roanoke, Virginia	71	Director	I
Edward P. Russell Stilwell, Kansas	53	Director	I

**Director Nominees**

**The Board unanimously recommends using the enclosed proxy card to vote FOR each of the Board's three nominees for Director.**

**Robert L.G. Watson**, has served as Chairman of the Board, President, Chief Executive Officer and a director of Abraxas since 1977. Prior to forming Abraxas, Mr. Watson held petroleum engineering positions with Tesoro Petroleum Corporation and DeGolyer and MacNaughton. Mr. Watson received a Bachelor of Science degree in Mechanical Engineering from Southern Methodist University in 1972 and a Master of Business Administration degree from the University of Texas at San Antonio in 1974.

Mr. Watson has been involved in the oil and gas industry for his entire business career and is the founder of Abraxas. He has developed a wide network of personal and business relationships within the oil and gas industry. His strong engineering and financial background combined with his many years of operational experience throughout changing conditions in the market and industry provide him with the ability to successfully lead the Company.

**Ralph F. Cox**, a director of Abraxas since December 1999, has over 50 years of oil and gas industry experience, over 30 of which were with Atlantic Richfield Company (ARCO). Mr. Cox retired from ARCO in 1985 after serving as Vice Chairman. Mr. Cox then joined Union Pacific Resources, retiring in 1989 as President and Chief Operating Officer. Mr. Cox then joined Greenhill Petroleum Corporation as President until leaving in 1994 to pursue a consulting business. Mr. Cox currently serves as a trustee for Fidelity Mutual Funds. Mr. Cox also serves as a director of Validus International, a company specializing in oil field drilling tools, and as a director of E-T Energy Ltd., a Canadian oil sands extraction company. Mr. Cox previously served as a director of Abraxas General Partner, LLC, the general partner of Abraxas Energy Partners, L.P., as a director of CH2M Hill Companies, an engineering and construction firm, as a director of World GTL Inc., a gas-to-liquids production facility, and as an advisory director of Impact Petroleum, an oil and gas exploration and production company. Mr. Cox received Bachelor of Science degrees in Petroleum Engineering and Mechanical Engineering from Texas A&M University in 1954 and completed advanced studies at Emory University.

Mr. Cox has many years of prior experience with major oil and gas companies. Mr. Cox continues his involvement in the industry through his other directorship positions. His executive-level perspective and decision making abilities continue to prove beneficial to the Company.

***Dennis E. Logue***, a director of Abraxas since April 2003, has served as Chairman of the Board of Directors of Ledyard Financial Group, the holding company for Ledyard National Bank, since 2005. Mr. Logue served as Dean and Fred E. Brown Chair at the Michael F. Price College of Business at the University of Oklahoma from 2001 through 2005. Prior to joining Price College, Mr. Logue was the Steven Roth Professor at the Amos Tuck School at Dartmouth College where he had been since 1974. Mr. Logue has served as a director of Waddell & Reed Financial, Inc., a publicly-traded, national financial services organization, since 2002. Mr. Logue holds degrees from Fordham College, Rutgers, and Cornell University.

Mr. Logue has significant business, financial and administrative experience and his broad based experiences across a number of industries are particularly beneficial in his service on our Nominating and Compensation Committees.



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**Table of Contents****Directors with Terms Expiring in 2018 and 2019**

**Harold D. Carter**, a director of Abraxas since October 2003, has over 40 years of oil and gas industry experience and has been an independent consultant since 1990. Prior to consulting, Mr. Carter served as Executive Vice President of Pacific Enterprises Oil Company (USA). Before that, Mr. Carter was associated for 20 years with Sabine Corporation, ultimately serving as President and Chief Operating Officer from 1986 to 1989. Mr. Carter has served as a director of Longview Energy Company, a privately-owned oil and gas exploration and production company, since 1999. Mr. Carter also serves as Vice Chairman of the Board of Trustees for the Texas Scottish Rite Hospital for Children. Mr. Carter previously served as a director of Abraxas from 1996 to 1999 and as an advisory director from 1999 to 2003. Mr. Carter also previously served as a director of Brigham Exploration Company, a publicly-traded oil and gas company, from 1998 to 2011, and as a director of Energy Partners Ltd., a publicly-traded oil and gas exploration and production company, from 2000 to 2009. Mr. Carter received a Bachelor of Business Administration degree in Petroleum Land Management from the University of Texas and completed the Program for Management Development at the Harvard University Business School.

Mr. Carter brings invaluable perspective and industry-specific business acumen and managerial experience to the Board as the former President and COO of Sabine Corporation and as an industry veteran with decades of exploration and production experience. In particular, we believe that Mr. Carter's tenure as a director of Brigham Exploration is particularly valuable to us because Brigham's principal area of activity was the Williston Basin, where it targeted the Bakken, Three Forks and Red River formations. Brigham was acquired in 2011 by Statoil ASA for approximately \$4.4 billion. The knowledge and experience Mr. Carter has attained through his service on other public company boards also enables Mr. Carter to provide a keen understanding of various corporate governance matters.

**W. Dean Karrash**, was an advisory director of Abraxas from November 2011 to May 2012 at which time he was elected to the Board of Directors. Mr. Karrash is the President and Chief Financial Officer of Burke, Lawton, Brewer & Burke, LLC, a securities brokerage firm. Mr. Karrash joined the firm in 2004 and also serves as a Portfolio Manager with BLB&B Advisors, LLC. Mr. Karrash has over thirty years of experience in the financial services industry and previously served as President and Chief Executive Officer of Rutherford, Brown & Catherwood, LLC and Chief Financial Officer of Walnut Asset Management, LLC. Early in Mr. Karrash's career, he served as Vice President of Finance for Lincoln Investment Planning Inc. and as a Senior Manager with Pricewaterhouse Coopers (formerly Coopers & Lybrand). Mr. Karrash is currently a member of FINRA's Financial and Operations Committee and a past member of the Small Firm Advisory Board and District 9 Business Conduct Committee. Mr. Karrash is a Certified Public Accountant, Certified Financial Planner and is registered with FINRA and holds Series 7, 24, 27, 53 and 65 licenses. Mr. Karrash received a Bachelor of Science degree in Accounting from Pennsylvania State University and a Master of Business Administration degree from Temple University's Executive MBA program.

Through his role as President of Burke, Lawton, Brewer & Burke, Mr. Karrash provides our Board with investment and financial experience from the standpoint of an investor and as a stockholder. In addition, Mr. Karrash is a Certified Public Accountant and is an audit committee financial expert as defined by SEC rules.

**Jerry J. Langdon** has served on the Board of Directors of Abraxas since May 2013 and currently works as a private investor. Previously, Mr. Langdon was Chief Administrative and Compliance Officer of Energy Transfer Partners, or ETP, a multi-billion dollar company specializing in the gathering, processing, transportation and storage of natural gas and natural gas liquids in the U.S. Prior to ETP, Mr. Langdon was Chief Administrative and Compliance Officer for Reliant Energy. Mr. Langdon has also held senior executive positions with El Paso Energy Partners and has served as a Director of several public and private boards. In October 1988, Mr. Langdon was appointed to the Federal Energy Regulatory Commission by President Ronald Reagan and served in that capacity until 1993. For a period of 38 days in 2012 (from May 21, 2012 until June 28, 2012), Mr. Langdon served as Chairman of the Board and Chief Executive

Officer of Latitude Solutions, Inc., a company engaged in the development and deployment of water remediation technologies. On November 9, 2012, Latitude Solutions, Inc. filed for bankruptcy protection under the provisions of Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas. Mr. Langdon has authored numerous articles on the natural gas and electric industries, which have been published in various industry trade magazines. Mr. Langdon holds a Bachelor of Science in Communications from the University of Texas.

We believe Mr. Langdon's extensive experience in the energy industry make him a valuable member of our Board.

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**Brian L. Melton** has served on the Board of Directors Abraxas since October of 2009. He has served as Vice President of Pipeline Marketing & Business Development for Blueknight Energy Partners (Nasdaq: BKEP), a publicly traded master limited partnership that specializes in providing crude oil and asphalt terminaling, pipeline and transportation services across the U.S., since December 2013. Prior to joining Blueknight, Mr. Melton served as Vice-President of Business Development / Corporate Strategy for Crestwood Equity Partners, L.P. (NYSE: CEQP), Crestwood Midstream Energy Partners, L.P. (NYSE: CMLP), and Inergy, L.P. (NYSE:NRGY) from September 2008 until December 2013. Crestwood and Inergy are publicly-traded MLPs that specialize in providing midstream crude oil, natural gas and natural gas liquids services to producers and midstream providers in many of the major U.S. shale plays including the Bakken, Eagle Ford, Marcellus / Utica, Barnett, Fayetteville, Haynesville and Niobrara U.S. shale regions. Prior to joining Inergy in 2008, Mr. Melton was a Director in the Energy Corporate Investment Banking groups of Wachovia Securities and A.G. Edwards, prior to its merger with Wachovia Securities in October of 2007. Mr. Melton joined A.G. Edwards in July 2000 and was a senior member of the energy corporate finance team. From November 1995 until July 2000, Mr. Melton served as Director of Finance & Corporate Planning with TransMontaigne Inc., a downstream refined products supply, transportation and logistics company. Mr. Melton received a Bachelor of Science degree in Management and a Master of Business Administration degree from Arkansas State University.

We believe that Mr. Melton's operational and business experience (particularly in the U.S. shale plays in which the Company operates), as well as Mr. Melton's prior oil and gas investment banking experience help him bring unique insight to our Board and that his financial experience is beneficial to our audit committee.

**Paul A. Powell, Jr.**, a director of Abraxas since August 2005, has served as Vice President and director of Mechanical Development Co., Inc., a maker of precision production machine parts, since 1984. Mr. Powell is a Managing Partner of Claytor Equity Partners, Cortland Partners, JWM Partners, Emory Partners and Burnett Partners. Mr. Powell is also manager of Westpoint (2002) LLC, Westpoint (2002) General Limited Partnership and WMP Properties LLC. Mr. Powell currently serves on the board of trustees of Emory & Henry College and as trustee for numerous charitable trusts. Mr. Powell previously served as a director of Abraxas from 1987 to 1999 and as an advisory director from 1999 to August 2005, in addition to previously serving on the board of the Blue Ridge Mountain Council of the Boy Scouts of America. Mr. Powell attended Emory & Henry College and graduated from National Business College with a degree in Accounting.

Through his roles at various investment and operating companies, Mr. Powell provides our Board with investment and financial experience. Mr. Powell has extensive historical knowledge about our Company through his investment in a number of drilling partnerships which became a part of Abraxas in 1991.

**Edward P. Russell**, a director of Abraxas since October 2009, has served as a Managing Director of Tortoise Capital Advisors, one of the largest energy investors in the U.S., with over \$10 billion in assets under management since April 2007. From 2007 to 2012, Mr. Russell served as President of Tortoise Capital. Prior to joining Tortoise Capital Advisors, Mr. Russell was a Managing Director at Stifel, Nicolaus & Company, Inc. where he headed the energy and power group. Mr. Russell currently serves on the board of Arc Logistics GP LLC, which is the general partner of Arc Logistics Partners LP. Mr. Russell previously served as a director of Abraxas General Partner, LLC, the general partner of Abraxas Energy Partners, L.P.

We believe Mr. Russell's experience as an oil and gas investor and as an energy investment banker brings an important skill set to the Board.

**Director Emeritus**

**Franklin A. Burke**, a director emeritus of Abraxas since 2012 and a director of Abraxas from 1992-2012, has previously served as President and Chief Executive Officer of Burke, Lawton, Brewer & Burke, a securities brokerage firm, from 1964 through 2014, as President of Venture Securities Corporation, since 1971, and as President, Director of Research and Portfolio Management of BLB&B Advisors, LLC, from 2006 through 2014. Mr. Burke also previously served as Trustee and Treasurer of The Williamson Free School of Mechanical Trades. Mr. Burke currently serves as a director of Starkey Chemical Process Company and was a director and President of Omega Institute, an allied health post-secondary school. Mr. Burke received a Bachelor of Science degree in Business Administration from Kansas State University in 1955, a Master's degree in Finance from University of Colorado in 1960 and studied at the graduate level at the London School of Economics from 1962 to 1963. The Board voted to appoint Mr. Burke as a Director Emeritus following his retirement in 2012.

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Mr. Burke serves at the pleasure of the Board and may be terminated as Director Emeritus at any time upon consent of a majority of the Board of Directors. Mr. Burke has the right to receive timely notice and information regarding, and to attend and participate in all, meetings of the Board, but does not have the right to vote at the meetings. The Board may, in its discretion without Mr. Burke's consent, at any meetings at which he is in attendance, hold an executive session, at which Mr. Burke may not be present. Except for purposes of indemnification, Mr. Burke is not deemed to be a director of Abraxas.

## **Composition of the Board of Directors**

The Company believes that its Board as a whole should encompass a diverse range of talent, skill, experience and expertise enabling it to provide sound guidance with respect to the Company's operations and business goals. In addition to considering a candidate's background and accomplishments, candidates are reviewed in the context of the current composition of the Board and the evolving needs of the Company. The Company's policy is to have at least a majority of its directors qualify as independent as determined in accordance with the listing standards of The NASDAQ Stock Market and Rule 10A-3 of the Exchange Act. The Nominating and Corporate Governance Committee identifies candidates for election to the Board of Directors and reviews their skills, characteristics and experience, and recommends nominees for director to the Board for approval.

The Nominating and Corporate Governance Committee believes that the Board of Directors should be composed of directors with experience in areas relevant to the strategy and operations of the Company, particularly in the oil and gas industry and complex business and financial dealings. Each of the nominees for election as a director at the Annual Meeting and each of the Company's current directors holds or has held senior executive positions in either the oil and gas industry or in the financial / banking community. In these positions, we believe that each nominee and current director has gained experience in core management skills, such as strategic and financial planning, public company financial reporting, corporate governance, risk management, and leadership development. Many of our directors also have experience serving on boards and board committees of other public companies, as well as charitable organizations and private companies. The Nominating and Corporate Governance Committee also believes that each nominee and current director has other key attributes that are important to an effective board: integrity and demonstrated high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; diversity of background, experience and thought; and the commitment to devote significant time and energy to service on the Board and its Committees. With respect to each of our current directors and director nominees, their biographies on pages 7 through 9 detail their individual experience in the oil and gas industry and/or in the financial/banking community together with their past and current board positions.

## **Meeting Attendance**

During the fiscal year ended December 31, 2016, the Board of Directors held four meetings, the Audit Committee held four meetings and the Compensation Committee held one meeting. The Nominating and Corporate Governance Committee did not meet during 2016. During 2016, each director attended at least 75% of all Board and applicable Committee meetings and, other than Mr. Watson, our Chairman of the Board, President and Chief Executive Officer, each director received compensation for his service to Abraxas for his role as director. See Executive Compensation Compensation of Directors. Abraxas encourages, but does not require, directors to attend the annual meeting of stockholders; however, such attendance allows for direct interaction between stockholders and members of the Board of Directors. At Abraxas' 2016 Annual Meeting, eight of the nine members of the Board were present.

## **Committees of the Board of Directors**

Abraxas has standing Audit, Compensation and Nominating and Corporate Governance Committees.

The Audit Committee is a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. During 2016, the Audit Committee consisted of Messrs. Melton (Chairman), Karrash, Langdon and Powell. The Board of Directors has determined that each of Messrs. Melton and Karrash is an audit committee financial expert as defined by SEC rules. The Audit Committee Report, which appears on page 39, more fully describes the activities and responsibilities of the Audit Committee. Mr. King, Mr. Krog and representatives from BDO USA, LLP, the Company's independent registered public accounting firm, along with all four members of the Company's Audit Committee attended each meeting of the Audit Committee. In addition, the representatives from BDO USA, LLP and the Audit Committee meet in executive session at each meeting.

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The Compensation Committee consists of Messrs. Cox (Chairman), Carter and Logue. The Compensation Committee's role is to establish and oversee Abraxas' compensation and benefit plans and policies, to administer its stock option plans, and to annually review and approve all compensation decisions relating to Abraxas' executive officers. The Compensation Discussion & Analysis, which begins on page 17, more fully describes the activities and responsibilities of the Compensation Committee. The Compensation Committee submits its decisions regarding executive compensation to the independent members of the Board for approval. The agenda for meetings of the Compensation Committee is determined by its Chairman and the meetings are regularly attended by Mr. Watson. At each meeting, the Compensation Committee also meets in executive session. Mr. Cox reports the committee's recommendations on executive compensation to the Board. The Company's personnel support the Compensation Committee in its duties and, along with Mr. Watson, may be delegated authority to fulfill certain administrative duties regarding the Company's compensation programs. The Compensation Committee has authority under its charter to retain, approve fees for and terminate advisors, consultants and agents as it deems necessary to assist in the fulfillment of its responsibilities. For more information on the Compensation Committee's processes and procedures, please see Executive Compensation Compensation Discussion & Analysis Our Compensation Committee and Elements of Executive Compensation.

The Nominating and Corporate Governance Committee consists of Messrs. Logue (Chairman), Cox and Powell. The primary function of the Nominating and Corporate Governance Committee is to develop and maintain the corporate governance policies of Abraxas and to assist the Board in identifying, screening and recruiting qualified individuals to become Board members and determining the composition of the Board and its committees, including recommending nominees for the election at the annual meeting of stockholders or to fill vacancies on the Board.

Each of the Board's committees has a written charter and copies of the charters are available for review on the Company's website at [www.abraxaspetroleum.com](http://www.abraxaspetroleum.com).

## **Director Independence**

The Board of Directors has determined that each of the following members of the Board of Directors is independent as determined in accordance with the listing standards of The NASDAQ Stock Market and Rule 10A-3 of the Exchange Act: Harold D. Carter, Ralph F. Cox, W. Dean Karrash, Jerry J. Langdon, Brian L. Melton, Dennis E. Logue, Paul A. Powell, Jr. and Edward P. Russell. All of the members of the Audit, Compensation and Nominating and Corporate Governance Committees are independent as determined in accordance with the listing standards of The NASDAQ Stock Market and Rule 10A-3 of the Exchange Act. The Board of Directors periodically conducts a self-evaluation on key Board and committee-related issues, which has proven to be a beneficial tool in the process of continuous improvement in the Board's functioning and communication.

## **Board Leadership Structure**

The Board of Directors believes that the Chief Executive Officer is best situated to serve as Chairman because he is the director most familiar with Abraxas' business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. The Board believes this provides Abraxas with an efficient and effective leadership model. The Board believes that combining the Chairman and Chief Executive Officer roles fosters clear accountability, effective decision-making and alignment on corporate strategy. To assure effective independent oversight, the Board has adopted a number of governance practices, including:

a strong, independent director role;

regular executive sessions of the independent directors; and

annual performance evaluations of the Chairman and Chief Executive Officer by the independent directors. In addition, in 2006, the Board appointed Mr. Cox as lead independent director to provide the Board with additional independent oversight. Mr. Cox leads the regularly held executive sessions. The Board believes that the combined role of Chairman and Chief Executive Officer is in the best interest of Abraxas stockholders because it provides the appropriate balance between strategic development and independent oversight of management.



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### **Risk Management**

The Board of Directors has an active role, as a whole and also at the committee level, in overseeing management of the Company's risks. The Board reviews quarterly information regarding the Company's credit, liquidity and operations, as well as the risks associated with each. The Company's Compensation Committee is responsible for overseeing the management of risks relating to the Company's executive compensation plans and arrangements to ensure that the compensation programs do not encourage excessive risk-taking. The Audit Committee oversees management of financial risks, as well as other identified risks, including information technology. The Nominating and Corporate Governance Committee manages the risks associated with the independence of the Board of Directors and potential conflicts of interest. While each committee is responsible for evaluating specific risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports about such risks.

The Board of Directors, together with the Compensation Committee, the Audit Committee, and the Nominating and Corporate Governance Committee, coordinate with each other to provide company-wide oversight of our management and handling of risk. These committees report regularly to the entire Board of Directors on risk-related matters and provide the Board of Directors with integrated insight about the Company's management of strategic, credit, interest rate, financial reporting, liquidity, compliance and operational risks. While the Company has not developed a company-wide risk statement, the Board of Directors believes a well-balanced operational risk profile with heavier weighting towards exploitation projects as opposed to exploratory projects, together with a relatively conservative approach to managing liquidity, debt levels, and commodity price and interest rate risk contribute to an effective oversight of the Company's risks.

At meetings of the Board of Directors and its committees, directors receive regular updates from management regarding risk management. Outside of formal meetings, the Board, its committees and individual Board members have regular access to the executive officers of Abraxas.

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

Messrs. Cox, Carter and Logue served on the Compensation Committee during 2016. No member of the Compensation Committee was at any time during 2016, or at any other time an officer or employee of Abraxas, and no member had any relationship with Abraxas requiring disclosure as a related-party transaction in the section "Certain Relationships and Related Transactions" of this proxy statement. No executive officer of Abraxas has served on the Board of Directors or Compensation Committee of any other entity that has or has had one or more executive officers who served as a member of the Board of Directors or the Compensation Committee during 2016.

### **Code of Ethics**

In April 2004, the Board of Directors unanimously approved Abraxas' Code of Ethics. This Code is a statement of Abraxas' high standards for ethical behavior, legal compliance and financial disclosure, and is applicable to all directors, officers, and employees. A copy of the Code of Ethics can be found in its entirety on Abraxas' website at [www.abraxaspetroleum.com](http://www.abraxaspetroleum.com). Additionally, should there be any changes to, or waivers from, Abraxas' Code of Ethics, those changes or waivers will be posted immediately on our website at the address noted above.

### **Stockholder Communications with the Board**

The Board of Directors has implemented a process by which stockholders may communicate with the Board of Directors. Any stockholder desiring to communicate with the Board of Directors may do so in writing by sending a

letter addressed to the Board of Directors, c/o Corporate Secretary. The Corporate Secretary has been instructed by the Board to promptly forward any communications received to the members of the Board.

### **Nominations**

The Nominating and Corporate Governance Committee is responsible for determining the slate of director nominees for election by stockholders, which the committee recommends for consideration by the Board. All director nominees are approved by the Board prior to annual proxy material preparation and are required to stand for election by stockholders at the next annual meeting. For positions on the Board created by a director s leaving the Board prior to

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the expiration of his current term, whether due to death, resignation, or other inability to serve, Article III of the Company's Amended and Restated Bylaws provides that a director elected by the Board to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

The Nominating and Corporate Governance Committee does not currently utilize the services of any third-party search firm to assist in the identification or evaluation of Board member candidates. The Nominating and Corporate Governance Committee may engage a third party to provide such services in the future, as it deems necessary or appropriate at the time in question.

The Nominating and Corporate Governance Committee determines the required selection criteria and qualifications of director nominees based upon the needs of the Company at the time nominees are considered. A candidate must possess the ability to apply good business judgment and be in a position to properly exercise his or her duties of loyalty and care. Candidates should also exhibit proven leadership capabilities, high integrity and experience with a high level of responsibility within his or her chosen fields, and have the ability to quickly understand complex principles of, but not limited to, business, finance and the oil and gas business. Candidates with potential conflicts of interest or who do not meet independence criteria will be identified and disqualified. The Nominating and Corporate Governance Committee will consider these criteria for nominees identified by the Committee, by stockholders, or through some other source. When current Board members are considered for nomination for re-election, the Nominating and Corporate Governance Committee also takes into consideration their prior Board contributions, performance and meeting attendance records.

The Nominating and Corporate Governance Committee does not have a formal policy with regard to the consideration of diversity in identifying director nominees, but the Committee strives to nominate directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills, experience and expertise to oversee the Company's business. As part of this process, the Committee evaluates how a particular candidate would strengthen and increase the diversity of the Board in terms of how that candidate may contribute to the Board's overall balance of perspectives, backgrounds, knowledge, experience, skill sets and expertise in substantive matters pertaining to the Company's business.

The Nominating and Corporate Governance Committee will consider qualified candidates for possible nomination that are recommended by stockholders. Stockholders wishing to make such a recommendation may do so by sending the required information to the Nominating and Corporate Governance Committee, c/o Corporate Secretary at the address listed above. Any such nomination must comply with the advance notice provisions of, and provide all of the information required by, Abraxas' Amended and Restated Bylaws. These provisions and required information are summarized under Stockholder Proposals for 2018 Abraxas Annual Meeting beginning on page 54 of this proxy statement.

The Nominating and Corporate Governance Committee conducts a process of making a preliminary assessment of each proposed nominee based upon the resume and biographical information, an indication of the individual's willingness to serve and other background information. This information is evaluated against the criteria set forth above as well as the specific needs of the Company at that time. Based upon a preliminary assessment of the candidate(s), those who appear best suited to meet the needs of the Company may be invited to participate in a series of interviews, which are used for further evaluation. The Nominating and Corporate Governance Committee uses the same process for evaluating all nominees, regardless of the original source of the information.

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**SECURITIES HOLDINGS OF PRINCIPAL STOCKHOLDERS,  
DIRECTORS, NOMINEES AND OFFICERS**

Based upon information received from the persons concerned, each person known to Abraxas to be the beneficial owner of more than five percent of the outstanding shares of common stock of Abraxas, each director and nominee for director, each of the executive officers and all directors and officers of Abraxas as a group, owned beneficially as of March 15, 2017, the number and percentage of outstanding shares of common stock of Abraxas indicated in the following table. Abraxas Board has adopted stock ownership guidelines. Except as otherwise noted below, the address for each of the beneficial owners is c/o Abraxas Petroleum Corporation, 18803 Meisner Drive, San Antonio, Texas 78258. Please read Executive Compensation Stock Ownership Guidelines. None of the shares listed below have been pledged as security.

<b>Name of Beneficial Owner</b>	<b>Number of Shares (1)</b>	<b>Percentage (%)</b>
Robert L.G. Watson	2,323,523 (2)	1.4%
Geoffrey R. King	599,161 (3)	*
Peter A. Bommer	608,283 (4)	*
G. William Krog, Jr.	323,531 (5)	*
William H. Wallace	725,397 (6)	*
Stephen T. Wendel	811,599 (7)	*
Franklin A. Burke	6,183,995 (8)	3.8%
Harold D. Carter	353,614 (9)	*
Ralph F. Cox	623,985 (10)	*
W. Dean Karrash	118,998 (11)	*
Jerry J. Langdon	82,648 (12)	*
Dennis E. Logue	295,313 (13)	*
Brian L. Melton	215,781 (14)	*
Paul A. Powell, Jr.	423,547 (15)	*
Edward P. Russell	201,800 (16)	*
BlackRock Inc.	8,549,550 (17)	5.2%
All Officers and Directors as a Group (16 persons)	13,891,175	8.5%

\* Less than 1%

- (1) Unless otherwise indicated, all shares are held directly with sole voting and investment power.
- (2) Includes 924,124 shares issuable upon exercise of vested options granted pursuant to the LTIP, 23,696 restricted shares subject to vesting and 57,063 shares in a retirement account.
- (3) Includes 401,625 shares issuable upon exercise of vested options granted pursuant to the LTIP, 125,685 restricted shares subject to vesting and 16,851 shares in a retirement account.
- (4) Includes 304,150 shares issuable upon exercise of vested options granted pursuant to the LTIP, 201,137 restricted shares subject to vesting and 33,671 shares in a retirement account.
- (5) Includes 189,304 shares issuable upon exercise of vested options granted pursuant to the LTIP, 70,805 restricted shares subject to vesting and 24,983 shares in a retirement account.
- (6)

- Includes 437,365 shares issuable upon exercise of vested options granted pursuant to the LTIP, 96,681 restricted shares subject to vesting and 31,222 shares in a retirement account.
- (7) Includes 386,642 shares issuable upon exercise of vested options granted pursuant to the LTIP, 96,540 restricted shares subject to vesting and 118,535 shares in a retirement account.
- (8) Includes 82,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan, 302,395 shares in a retirement account, 3,340,788 shares owned by Venture Securities Corporation Profit Sharing Trust Plan (voluntary), Venture Securities Corporation Profit Sharing Plan Trust (designated) and Venture Securities Corporation Pension Plan Trust over which Mr. Burke has shared discretion to dispose of, direct the disposition of, vote, and direct the voting of such shares for the benefit of the beneficiary of the trust, 53,512 shares in various trust and guardianship accounts, of which Mr. Burke is a trustee or guardian, 56,722 shares in the Pleasantville Church Foundation, of which Mr. Burke is a director, and 1,638,771 shares managed by BLB&B Advisors, LLC, of which Mr. Burke is a partial owner. Mr. Burke does not have any voting rights with regard to the shares managed by BLB&B Advisors, LLC.

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- (9) Includes 146,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan, 7,577 shares in a family trust and 42,598 shares in a retirement account.
- (10) Includes 206,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan.
- (11) Includes 86,000 shares issuable upon exercise of vested options granted pursuant to the Directors Plan.
- (12) Includes 74,000 shares issuable upon exercise of vested options granted pursuant to the Directors Plan.
- (13) Includes 206,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan.
- (14) Includes 181,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan.
- (15) Includes 156,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan and 27,277 shares in various entities managed by Mr. Powell.
- (16) Includes 181,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan.
- (17) According to information in its Schedule 13G/A dated January 19, 2017, BlackRock Inc. is the parent corporation of the following subsidiaries which own shares of our common stock: BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A. and BlackRock Investment Management, LLC. BlackRock Inc. has sole dispositive power over 8,549,550 shares and sole voting power over 8,359,541 shares. The address of BlackRock Inc. is 55 East 52<sup>nd</sup> Street, New York, NY 10022.

**Equity Compensation Plan Information**

The following table gives aggregate information regarding grants under all of Abraxas equity compensation plans through December 31, 2016.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security holders	8,063,775	\$2.40	812,627
Equity compensation plans not approved by security holders	90,000	\$2.06	

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

Section 16(a) of the Exchange Act requires Abraxas directors and executive officers and persons who own more than 10% of a registered class of Abraxas equity securities to file with the Securities and Exchange Commission and The NASDAQ Stock Market initial reports of ownership and reports of changes in ownership of Abraxas common stock. Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish us with copies of all such forms they file. Based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, Abraxas believes that during 2016, all of its directors and executive officers complied on a timely basis with all applicable filing requirements under Section 16(a) of the Exchange Act.



Table of Contents**EXECUTIVE OFFICERS**

The following table sets forth the names, ages and positions of the executive officers of Abraxas.

<b>Name and Municipality of Residence</b>	<b>Age</b>	<b>Office</b>
Robert L.G. Watson San Antonio, Texas	66	Chairman of the Board, President and Chief Executive Officer
Geoffrey R. King San Antonio, Texas	36	Vice President    Chief Financial Officer
Peter A. Bommer San Antonio, Texas	60	Vice President    Engineering
William H. Wallace Blanco, Texas	59	Vice President    Operations
Stephen T. Wendel San Antonio, Texas	67	Vice President    Land & Marketing and Secretary
G. William Krog, Jr. San Antonio, Texas	63	Chief Accounting Officer

**Robert L.G. Watson** has served as Chairman of the Board, President, Chief Executive Officer and a director of Abraxas since 1977. See page 7 for more information.

**Geoffrey R. King** has served as Vice President - Chief Financial Officer since 2012. Prior to joining Abraxas, Mr. King worked at Van Eck Associates from 2007-2012 as a Senior Energy Analyst with a focus on natural resource equities and commodities. Prior to that he served as an investment banker in the Global Power and Energy group at Merrill Lynch and served various roles at Petrie Parkman. Mr. King is a CFA Charterholder and holds a Bachelor of Arts in Economics and History from Davidson College.

**Peter A. Bommer** has served as Vice President    Engineering since 2012 and as Manager of Special Projects since 2007. Prior to joining Abraxas, Mr. Bommer owned and ran the day-to-day operations of Bommer Engineering, a privately held engineering firm, for over 25 years. Mr. Bommer received a Bachelor of Science in Petroleum Engineering degree from the University of Texas in 1978 and a Master of Theology degree from Dallas Theological Seminary in 1999. Mr. Bommer also holds the Professional Engineer designation.

**William H. Wallace** has served as Vice President    Operations since 2000. Mr. Wallace served as Abraxas Superintendent/Senior Operations Engineer from 1995 to 2000. Prior to joining Abraxas, Mr. Wallace worked for Dorchester Gas Producing Company and Parker and Parsley. Mr. Wallace received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1981.

**Stephen T. Wendel** has served as Vice President - Land and Marketing since 1990 and as Corporate Secretary since 1988. Mr. Wendel served as Abraxas    Manager of Joint Interests and Natural Gas Contracts from 1982 to 1990. Prior to joining Abraxas, Mr. Wendel held accounting, auditing and marketing positions with Tenneco Oil Company and Tesoro Petroleum Corporation. Mr. Wendel also serves as a director of the Corporation Board and the Development



Board of Texas Lutheran University. Mr. Wendel received a Bachelor of Business Administration degree in Accounting from Texas Lutheran University in 1971.

**G. William Krog, Jr.** has served as Chief Accounting Officer since 2011. Mr. Krog joined Abraxas in 1995 and most recently served as Information Systems / Financial Reporting Director. Prior to joining Abraxas, Mr. Krog was an independent accountant in private practice. Mr. Krog received a Bachelor of Business Administration degree from the University of Texas at Austin in 1976 and is a Certified Public Accountant.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion & Analysis**

We compensate our executive officers through a combination of base salary, annual incentive bonuses and long-term equity based awards. The compensation is designed to be competitive with those of a peer group, which in 2016 was a group of exploration and production companies originally identified in 2014 by Longenecker & Associates, or L&A, and subsequently updated by management due to bankruptcies and other events.

This section discusses the principles underlying our executive compensation policies and decisions, and the most important factors relevant to an analysis of these policies and decisions. It provides qualitative information regarding the manner and context in which compensation is awarded to and earned by our executive officers and places in perspective the data presented in the tables and narrative that follow.

***Our Compensation Committee***

Our Compensation Committee approves, implements and monitors all compensation and awards to executive officers including the Chief Executive Officer, Chief Financial Officer and the other executive officers named in the Summary Compensation Table below, whom we refer to as the named executive officers or NEOs. The Committee's membership is determined by the Board of Directors and is composed of three independent directors. The Committee, in its sole discretion, has the authority to delegate any of its responsibilities to subcommittees as it deems appropriate.

The Committee periodically approves and adopts, or makes recommendations to the Board regarding Abraxas executive compensation decisions. In the first quarter of each year, Mr. Watson, the Chief Executive Officer, submits to the Compensation Committee his recommendations for salary adjustments and long-term equity incentive awards based upon his subjective evaluation of individual performance and his subjective judgment regarding each executive officer's salary and equity incentives, for each executive officer except himself. For more information on our Compensation Committee, please refer to the discussion under Proposal One Election of Directors Committees of the Board of Directors.

The Committee reviews all components of compensation for our executive officers, including base salary, annual incentive bonuses, long-term equity based awards, the dollar value to the executive and cost to Abraxas of all benefits and all severance and Change in Control arrangements. Based on this review, the Compensation Committee has determined that the compensation paid to our executive officers reflects our compensation philosophy and objectives.

***Compensation Philosophy and Objectives***

Our underlying philosophy in the development and administration of Abraxas' annual and long-term compensation plans is to align the interests of our executive officers with those of Abraxas' stockholders. Key elements of this philosophy are:

establishing compensation plans that deliver base salaries which are competitive with companies in our industry, within Abraxas' budgetary constraints and commensurate with Abraxas' salary structure.

rewarding outstanding performance particularly where such performance is reflected by an increase in Abraxas Net Asset Value, as adjusted for changes in factors beyond an employee's control.

providing equity-based incentives to ensure motivation over the long-term to respond to Abraxas business challenges and opportunities as owners rather than just as employees.

The compensation currently paid to Abraxas executive officers consists of three core elements: base salary, annual bonuses under the Abraxas Petroleum Corporation Bonus Plan, as amended, which is referred to as the Bonus Plan, and long-term equity based awards granted pursuant to the LTIP, plus other employee benefits generally available to all employees of Abraxas.

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We believe these elements support our underlying philosophy of aligning the interests of our executive officers with those of Abraxas stockholders by providing the executive officers a competitive salary, an opportunity for annual bonuses, and equity-based incentives to ensure motivation over the long-term. We view the three core elements of compensation as related but distinct. Although we review total compensation, we do not believe that significant compensation derived from one component of compensation should increase or reduce compensation from another component. We determine the appropriate level for each component of compensation separately. We have not adopted any formal or informal policies or guidelines for allocating compensation among long-term incentives and annual base salary and bonuses, between cash and non-cash compensation, or among different forms of non-cash compensation. Abraxas Board has adopted stock ownership guidelines. Please read [Stock Ownership Guidelines](#) for more information.

Abraxas does not have any other deferred compensation programs or supplemental executive retirement plans and no benefits are provided to Abraxas executive officers that are not otherwise available to all employees of Abraxas, and no benefits are valued in excess of \$10,000 per employee per year.

### ***Elements of Executive Compensation***

Executive compensation consists of the following elements:

**Base Salary.** In determining base salaries for the executive officers of Abraxas, we aim to set base salaries at a level we believe enables us to hire and retain individuals in a competitive environment and to reward individual performance and contribution to our overall business goals. In addition, we take into consideration the responsibilities of each executive officer and determine compensation appropriate for the positions held and expectations of services rendered during the year. During 2015, 2016 and 2017 we utilized a list of peer companies originally provided by L&A in 2014 and updated by management due to bankruptcies and other corporate events to analyze our salary structure. L&A originally identified potential peer candidates based on 1) companies of similar size, 2) other similar companies in the oil and gas exploration industry, and 3) similar operations in comparable geographic areas. L&A then analyzed each company based on:

Market capitalization;

Revenue;

Assets;

Enterprise value; and

Operational similarities.

Using these criteria, in 2016 the following were the comparable companies utilized by the Committee: Approach Resources, Inc. (AREX), Callon Petroleum Company (CPE), Comstock Resources, Inc. (CRK), Contango Oil & Gas Company (MCF), Earthstone Energy, Inc. (ESTE) Evolution Petroleum Corp. (EPM), Gastar Exploration Inc. (GST), Northern Oil and Gas, Inc. (NOG) and Ring Energy, Inc. (REI). The following companies were eliminated from the

list of comparable companies during 2016 as a result of bankruptcies or other corporate events: Clayton Williams Energy, Inc. (CWEI), Emerald Oil, Inc. (EOX), Magnum Hunter Resources Corporation (MHR), Penn Virginia Corporation (PVA), Swift Energy Co. (SFY), Triangle Petroleum Corporation (TPLM) and Warren Resources Inc. (WRES). Earthstone Energy and Ring Energy were added to the list in 2016 based upon the criteria originally utilized by L&A.

Abraxas' salary range is set by reference to the salaries paid by the comparable companies considering the responsibilities and expectations of each executive officer while remaining within Abraxas' budgetary constraints. We utilize salary information from the comparable companies to compare Abraxas' salary structure with those other companies that compete with Abraxas for executives but without targeting salaries to be higher, lower or approximately the same as those in our industry. We believe that the base salary levels for our executive officers are consistent with the practices of the comparable companies, and increases in base salary levels from time to time are designed to reflect competitive practices in the industry, individual performance and the officer's contribution to our overall business goals. Individual performance and contribution to the overall business goals of Abraxas are subjective measures and evaluated by Mr. Watson and the Compensation Committee and, with respect to Mr. Watson only, the Compensation Committee.

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The base salaries paid to our named executive officers in 2016 are set forth below in the Summary Compensation Table. For 2016, base salaries, paid as cash compensation, were \$1,196,917 with Mr. Watson receiving \$368,000. The amounts paid in 2016 reflect a voluntary 20% reduction which went into effect on February 1, 2016 and was terminated on February 1, 2017. We believe that the base salaries paid achieved our objectives.

Annual Bonuses. Abraxas Bonus Plan was initially adopted by our Board of Directors in 2003. The purpose of the Bonus Plan is to create financial incentives for our executive officers that are tied directly to increases in Net Asset Value, or NAV, per share of Abraxas common stock. We initially chose, and continue to utilize, NAV as the foundation of the Bonus Plan because we believe that NAV equates to the value of Abraxas oil and gas reserve base, giving risked credit for non-proven reserves, and adjustments for other assets and liabilities. We believe that NAV is a better indicator of the health of Abraxas than its stock price, as the success of finding oil and gas is directly reflected in our NAV, while our stock price can be influenced by a number of factors outside the control of the executive officers of Abraxas. In addition, many exploration and production equity analysts use NAV per share comparisons to establish price targets for the companies they follow. Under the terms of the Bonus Plan in effect for 2016, NAV was calculated at year-end after receipt of the reserve report from our independent petroleum engineering firm and the audited financials, subject to certain adjustments, as follows:

Net Asset Value Calculation
+ PV-10 Proved Developed Producing Reserves
+ PV-20 Proved Developed Non-Producing Reserves
+ PV-20 Proved Undeveloped Reserves
+ PV-30 Probable Reserves
+ Property & Equipment
+ Other Assets
± Net Working Capital
Debt
= Net Asset Value ( NAV )
÷ Shares Outstanding
= NAV per share

For the year ended December 31, 2016, the independent petroleum engineering firm of DeGolyer and MacNaughton estimated reserves for approximately 98% of our proved oil and gas reserves. Proved reserves for the remaining 2% of our properties were estimated by Abraxas personnel because we determined that it was not practical for DeGolyer and MacNaughton to prepare reserve estimates for those properties as they are located in a widely dispersed geographic area and have relatively low value. DeGolyer and MacNaughton also estimates our probable reserves. All other items in the NAV calculation are derived from our year-end audited financial statements.

PV-10 is the estimated present value of the future net revenues from our proved oil and gas reserves before income taxes discounted using a 10% discount rate. PV-10 is considered a non-GAAP financial measure under SEC regulations because it does not include the effects of future income taxes, as is required in computing the standardized measure of discounted future net cash flows. We believe that PV-10 is an important measure that can be used to evaluate the relative significance of our oil and gas properties and that PV-10 is widely used by securities analysts and investors when evaluating oil and gas companies. Because many factors that are unique to each individual company impact the amount of future income taxes to be paid, the use of a pre-tax measure provides greater comparability of assets when evaluating companies. We believe that most other companies in the oil and gas industry calculate PV-10 on the same basis. PV-10 is computed on the same basis as the standardized measure of discounted future net cash flows but without deducting income taxes.

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The following table provides a reconciliation of the standardized measure of discounted future net cash flows to PV-10 at December 31, 2015 and 2016 (in thousands):

(in thousands)	December 31,	
	2015	2016
Standardized measure of discounted future net cash flows	\$ 197,251	\$ 160,600
Present value of future income taxes discounted at 10%		
PV-10	\$ 197,251	\$ 160,600

The annual bonuses for 2016 were calculated by the percentage increase in the 2016 year-end NAV per share over the 2015 year-end NAV per share up to the first 10%; after 10% has been achieved, all excess percentage increases are doubled, with a maximum award for any one-year of 70% of the executive officer's base annual salary. For example, if the percentage increase in NAV for a given year was 15%, the calculated bonus would be equal to 20% of the executive officer's annual base salary. In order to compare NAV year-over-year, the current year-end PV-10 for proved and probable reserves are calculated with commodity prices used in the previous year-end PV-10 calculations, in addition to other adjustments for other factors out of an employee's control. To account for risk, Proved Developed Producing Reserves are discounted 10%; Proved Developed Non-Producing Reserves are discounted 20%; Proved Undeveloped Reserves are discounted 20%; and Probable Undeveloped Reserves are discounted 30%. Then, for the ensuing year, the PV-10 for proved and probable reserves are calculated with current commodity prices to establish the NAV per share at the beginning of a given year, thus the difference between the calculated NAV per share at the end of a given year and the calculated NAV per share at the beginning of the following year.

In the first quarter of each year, the NAV per share for the prior year-end is calculated after reserves are estimated by our independent petroleum engineering firm and audited financial statements are available. Mr. Watson then submits the annual bonus calculation to the Compensation Committee for review, discussion and approval.

At the beginning of 2016, the calculated NAV per share was \$0.19 (utilizing commodity prices as of December 31, 2015 and the development costs included in our reserve report prepared by DeGolyer and MacNaughton) and the calculated NAV per share at the end of 2016 (utilizing commodity prices as of December 31, 2016 and the development costs included in our reserve report prepared by DeGolyer and MacNaughton) was \$0.73, a 287.8% increase equating to a 70.0% bonus.

The Compensation Committee has the discretion to defer all or any part of any bonus to future years, to pay all or any portion of any bonus, or deferred bonus, in shares of Abraxas common stock (which would be issued under the LTIP) and has the discretion to pay bonuses even if no bonus would be payable under the Bonus Plan, and further has the discretion not to pay bonuses even if a bonus was earned under the Bonus Plan. In the past, the Committee has elected to pay a portion of the annual bonus in shares of Common Stock and may continue to do so in the future. The Committee reviews the cash position of the Company and the amount of the annual bonus when making such determinations. The Compensation Committee also has the discretion to pay bonuses outside of this plan.

The following table summarizes the bonuses paid to our named executive officers for 2016:

Name



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	Base Salary (1)	Bonus Award Achieved (Percentage of Salary) (2)	Maximum Award (Percentage of Salary)	Annual Bonus Earned Under the Annual Bonus Plan	Annual Bonus Paid Under the Annual Bonus Plan
Robert L.G. Watson	\$ 460,000	70%	70%	\$ 322,000	\$ 322,000
Geoffrey R. King	275,000	70%	70%	192,500	192,500
Peter A. Bommer	250,000	70%	70%	175,000	175,000
William H. Wallace	250,000	70%	70%	175,000	175,000
Stephen T. Wendel	240,000	70%	70%	168,000	168,000

(1) Base annual salaries in effect at the end of the year, excluding 20% voluntary salary reduction in effect at December 31, 2016.

(2) 1% for the first 10%, then 2% for each percent increase over the first 10%.

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Long-Term Equity Incentives. Our executive officers are eligible to receive long-term equity incentives under the LTIP.

In determining whether to grant long-term incentive awards, such awards will be substantially contingent upon the conclusion of Mr. Watson and the Board of Directors (and only the Board of Directors, with respect to awards made to Mr. Watson) as to whether individual and management's collective efforts have produced attractive long-term returns to Abraxas stockholders by increasing the market price of our common stock over time. In determining whether to grant long-term incentive awards, we anticipate that neither Mr. Watson nor the Board of Directors will have specific numerical targets, but rather will make a subjective determination based upon the state of the oil and gas exploration and production industry and other general economic factors at the time of their evaluation.

In the first quarter of each year, Mr. Watson submits his recommendations for long-term equity incentive awards to the Compensation Committee based upon his subjective evaluation of the individual performance of each executive officer, except himself. Mr. Watson also factors in the quantity and value of the long-term incentives that each executive officer has been previously awarded. The Compensation Committee reviews and discusses Mr. Watson's recommendations and makes final determinations, subject to final Board approval, as to such awards. For awards made to Mr. Watson, the Compensation Committee subjectively evaluates Mr. Watson's performance and, in their sole authority, subject to final Board approval, determines, how many, if any, long-term equity incentive awards to grant to Mr. Watson. The Compensation Committee also considers the quantity and value of the long-term equity incentive awards previously granted to Mr. Watson when considering making awards to him. In determining whether to grant long-term equity incentive awards, we seek to ensure that the total compensation package, including cash compensation, is comparable to the other companies in our industry, yet such awards are substantially contingent upon the conclusion of Mr. Watson and the Compensation Committee as to whether individual and management's collective efforts have produced attractive long-term returns to Abraxas stockholders. We also consider past grants to each executive officer and the level to which such past grants are (or are not) in-the-money.

Abraxas has historically granted long-term equity incentives after Mr. Watson presents his recommendations to the Compensation Committee in the first quarter; however, we have not granted long-term equity incentives every year and we have awarded long-term equity incentive awards at other times during the year, principally in the event of a new hire, substantial promotion or significant event, such as the completion of a financing transaction or an accretive acquisition. We believe that such events warrant the granting of awards outside the normal course of business as these events are significant to the future success of Abraxas. We do not time award grants in coordination with the release of material non-public information.

LTIP. The LTIP, which was approved by our stockholders at the 2006 annual meeting and subsequently amended by our stockholders, authorizes us to grant incentive stock options, non-qualified stock options and shares of restricted stock to our executive officers, as well as to all employees of Abraxas. We use equity incentives as a form of long-term compensation because it provides our executive officers an opportunity to acquire an equity interest in Abraxas and further aligns their interest with those of our stockholders. Options grants generally have a term of 10 years and vest in equal increments over four years. Restricted stock grants vest in accordance with each individual grant agreement. Vesting is accelerated in certain events described under Employment Agreements and Potential Payments Upon Termination or Change in Control.

The purposes of this plan are to employ and retain qualified and competent personnel and to promote the growth and success of Abraxas, which can be accomplished by aligning the long-term interests of the executive officers with those of the stockholders by providing the executive officers an opportunity to acquire an equity interest in Abraxas. All grants are made with an exercise price of no less than 100% of the fair market value on the date of such grant.

As of December 31, 2016, a total of 8,966,402 shares of Abraxas common stock are reserved under the LTIP, subject to adjustment following certain events, such as stock splits. The maximum annual award for any one employee is 500,000 shares of Abraxas common stock. If options, as opposed to restricted stock, are awarded, the exercise price shall be no less than 100% of the fair market value on the date of the award, unless the employee is awarded incentive stock options and, at the time of the award, owns more than 10% of the voting power of all classes of stock of Abraxas. Under this circumstance, the exercise price shall be no less than 110% of the fair market value on the date of the award. Option terms and vesting schedules are at the discretion of the Compensation Committee.

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**Employment Contracts, Change in Control Arrangements and Certain Other Matters.** We provide the opportunity for our executive officers to be protected under the severance and change in control provisions contained in their employment agreements. We believe that these provisions help us to attract and retain an appropriate caliber of talent for these positions. Our severance and change in control provisions for the executive officers are summarized in

Employment Agreements and Potential Payments Upon Termination or Change in Control below. We believe that our severance and change in control provisions are consistent with the programs and levels of severance and post-employment compensation of other companies in our industry and believe that these arrangements are reasonable.

**Other Employee Benefits.** Abraxas executive officers are eligible to participate in all of our employee benefit plans, such as medical, dental, group life and long-term disability insurance, in each case on the same basis as other employees. Abraxas executive officers are also eligible to participate in our 401(k) plan on the same basis as other employees. In 2008, Abraxas adopted the safe harbor provision for its 401(k) plan which requires Abraxas to contribute a fixed match to each participating employee's contributions to the plan. The fixed match is set at the rate of dollar for dollar for the first 1% of eligible pay contributed, then 50 cents on the dollar for each additional percentage point of eligible pay contributed, up to 5%. The fixed match is contributed in the form of Abraxas common stock. An employee's eligible pay with respect to calculating the fixed match is limited by IRS regulations. In addition, the Board of Directors, at its sole discretion, may authorize Abraxas to make additional contributions to each participating employee's plan. The employee contribution limit for 2016 was \$18,000 for employees under the age of 50 and \$24,000 for employees 50 years of age or older. The Board of Directors has also suggested a cap on the amount (or percentage) of Abraxas common stock that each employee should own in their individual 401(k) account to encourage diversification. The maximum suggested percentage has been set at 20% and each employee is encouraged to reduce their ownership of Abraxas common stock in their 401(k) account in the event such employee is over the suggested limit.

### ***2017 Compensation Decisions***

**Base Salaries.** A voluntary 20% salary reduction of base salaries that was in effect for our named executive officers during 2016 was terminated as of February 1, 2017. No named executive officer has received a salary increase for 2017.

### ***Assessment of Compensation Policies and Practices***

The Company and the Compensation Committee have conducted an in-depth risk assessment of the Company's compensation policies and practices in response to public and regulatory concerns about the link between incentive compensation and excessive risk taking by companies. The Company and the Committee concluded that our compensation program does not motivate imprudent risk taking. In this regard, the Committee believes that:

The Company's annual incentive compensation is based on performance metrics that promote a disciplined approach towards the long-term goals of the Company;

The Company does not offer significant short-term incentives that might drive high-risk investments at the expense of the long-term value of the Company;

The Company's compensation programs are weighted towards offering long-term incentives that reward sustainable performance, especially when considering the Company's stock ownership guidelines for executive officers;

The Company's compensation awards are capped at reasonable levels, as determined by a review of the Company's financial position and prospects, as well as the compensation offered by companies in our industry; and

The Board's high level of involvement in approving material investments and capital expenditures helps avoid imprudent risk taking.

The Company's compensation policies and practices were evaluated to ensure that they do not foster risk taking above the level of risk associated with the Company's business and the Company concluded that it has a balanced pay and performance program and that the risks arising from its compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

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### *Impact of Regulatory Requirements*

Deductibility of Executive Compensation. In 1993, the federal tax laws were amended to limit the deduction a publicly-held company is allowed for compensation paid to the chief executive officer and to the four most highly compensated executive officers other than the chief executive officer. Generally, amounts paid in excess of \$1.0 million to a covered executive, other than performance-based compensation, cannot be deducted. In order to constitute performance-based compensation for purposes of the tax law, stockholders must approve the performance measures. We will consider ways to maximize the deductibility of executive compensation, while retaining the discretion necessary to compensate executive officers in a manner commensurate with performance and the competitive environment for executive talent. Our Bonus Plan was approved by our stockholders on May 6, 2014.

Non-Qualified Deferred Compensation. On October 22, 2004, the American Jobs Creation Act of 2004 was signed into law, changing the tax rules applicable to non-qualified deferred compensation arrangements. We believe we are in compliance with the statutory provisions which were effective January 1, 2005 and the regulations which became effective on January 1, 2009.

Accounting for Stock-Based Compensation. On October 1, 2005 we began accounting for stock-based compensation in accordance with the requirements of Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 718 for all of our stock-based compensation plans. See the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission for a discussion of all assumptions made in the calculation of this amount.

Policy on Recovery of Compensation. Our Chief Executive Officer and Chief Financial Officer are required to repay certain bonuses and stock-based compensation they receive if we are required to restate our financial statements as a result of misconduct as required by Section 304 of the Sarbanes-Oxley Act of 2002.

## **COMPENSATION COMMITTEE REPORT**

The Compensation Committee of Abraxas has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

This report is submitted by the members of the Compensation Committee.

Ralph F. Cox, Chairman

Harold D. Carter

Dennis E. Logue

**Table of Contents****SUMMARY COMPENSATION TABLE**

The following table sets forth a summary of compensation paid to each of our named executive officers for the last three fiscal years.

Name and Principal Position	Year	Salary (\$ (1))	Bonus (\$ (2))	Stock Awards (\$ (3))	Non-Equity		All Other Compensation (\$ (6))	Total (\$ (7))
					Option Awards (\$ (4))	Incentive Plan Compensation (\$ (5))		
Robert L.G. Watson	2016	368,000	17,692		269,912	322,000	9,275	986,879
	2015	429,330			690,000		9,275	1,128,605
President, Chief Executive Officer and Chairman of the Board	2014	450,000	17,692	63,000	102,884	322,000	9,100	964,676
Geoffrey R. King	2016	224,583	10,577		183,866	192,500	8,231	619,757
Vice President Chief Financial Officer	2015	275,000						