

ABRAXAS PETROLEUM CORP  
Form DEF 14A  
April 03, 2018  
Table of Contents

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

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

Filed by the Registrant

Filed by a Party other than the Registrant:

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material 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.

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

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

1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:
4. Proposed maximum aggregate value of transaction:
5. Total fee paid:

Fee paid previously with preliminary materials.

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

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



**Table of Contents**

**ABRAXAS PETROLEUM CORPORATION**

18803 Meisner Drive

San Antonio, Texas 78258

(210) 490-4788

April 3, 2018

Dear Stockholders:

You are invited to attend the 2018 Annual Meeting of Stockholders of Abraxas Petroleum Corporation to be held on May 8, 2018, 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

**Table of Contents**

**ABRAXAS PETROLEUM CORPORATION**

18803 Meisner Drive

San Antonio, Texas 78258

(210) 490-4788

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY 8, 2018**

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 8, 2018, 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:

W. Dean Karrash

Paul A. Powell, Jr.

Edward P. Russell

- (2) To ratify the appointment of BDO USA, LLP as Abraxas independent registered public accounting firm for the year ended December 31, 2018; and

- (3) To approve, on an advisory basis, the compensation of the Company s named executive officers.  
Your Board recommends that you vote FOR the nominees named in Proposal 1 and FOR Proposals 2 and 3.

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 21, 2018 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 21, 2018 will be entitled to vote at the Annual Meeting 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 ten days prior to the Annual

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

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 3, 2018

### **Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of**

**Stockholders to be held May 8, 2018**

**This proxy statement and our 2017 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**

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>PROXY STATEMENT</u></b>	1
<u>Record Date: Shares Entitled To Vote: Quorum</u>	1
<u>Votes Required</u>	1
<u>Voting of Proxies</u>	2
<u>How to Vote By Proxy: Revocability of Proxies</u>	3
<u>Deadline for Voting by Proxy</u>	3
<u>Solicitation of Proxies</u>	3
<u>Important Information Regarding Delivery of Proxy Material</u>	3
<u>Householding</u>	4
<b><u>PROPOSAL ONE</u></b>	
<b><u>ELECTION OF DIRECTORS</u></b>	5
<u>Board of Directors</u>	5
<u>Director Nominees</u>	6
<u>Directors with Terms Expiring in 2019 and 2020</u>	6
<u>Composition of the Board of Directors</u>	8
<u>Meeting Attendance</u>	8
<u>Committees of the Board of Directors</u>	9
<u>Director Independence</u>	9
<u>Board Leadership Structure</u>	9
<u>Risk Management</u>	10
<u>Compensation Committee Interlocks and Insider Participation</u>	10
<u>Code of Ethics</u>	10
<u>Stockholder Communications with the Board</u>	10
<u>Nominations</u>	11
<u>Non-Management Sessions</u>	11
<b><u>SECURITIES HOLDINGS OF PRINCIPAL STOCKHOLDERS, DIRECTORS, NOMINEES AND OFFICERS</u></b>	12
<u>Equity Compensation Plan Information</u>	13
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	13
<b><u>EXECUTIVE OFFICERS</u></b>	14
<b><u>EXECUTIVE COMPENSATION</u></b>	16
<u>Compensation Discussion &amp; Analysis</u>	16
<b><u>COMPENSATION COMMITTEE REPORT</u></b>	27
<b><u>SUMMARY COMPENSATION TABLE</u></b>	28
<b><u>GRANTS OF PLAN-BASED AWARDS</u></b>	29
<b><u>OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END</u></b>	30
<b><u>OPTION EXERCISES AND STOCK VESTED</u></b>	31
<u>Pension Benefits</u>	31
<u>Non-Qualified Deferred Compensation</u>	31
<u>Stock Ownership Guidelines</u>	31
<u>Employment Agreements and Potential Payments Upon Termination or Change in Control</u>	32
<u>Termination and Change in Control Payments Table</u>	35
<u>Compensation of Directors</u>	36

<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	39
<u>General</u>	39
<u>Related Party Transactions in 2017</u>	39
<u>PROPOSAL TWO</u>	
<u>RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	40
<u>AUDIT COMMITTEE REPORT</u>	41
<u>PRINCIPAL AUDITOR FEES AND SERVICES</u>	42
<u>AUDIT COMMITTEE PRE-APPROVAL POLICY</u>	42

**Table of Contents**

<u>PROPOSAL THREE</u>	
<u>ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	43
<u>STOCKHOLDER PROPOSALS FOR 2019 ABRAXAS ANNUAL MEETING</u>	44
<u>OTHER MATTERS</u>	45

**Table of Contents**

**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 2018 Annual Meeting of Stockholders to be held at 9:00 a.m., local time, on May 8, 2018, at Abraxas Petroleum Corporation s corporate office 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 3, 2018. 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 corporate office, 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 21, 2018 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 165,901,819 shares of Abraxas common stock outstanding, which were held by approximately 927 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 and Three. 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, will be a routine matter 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.

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

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 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).

## **Table of Contents**

**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, 2018.**

*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.

## **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 7, 2018.

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 and FOR proposals Two and Three. The giving of a proxy will not affect your right to vote in person if you decide to attend the meeting.

*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.

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

*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

## **Table of Contents**

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.

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

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

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 materials 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.

## **Table of Contents**

In connection with its 2018 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 2018 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 2018 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, or SEC, 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. We have adopted this householding procedure.

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.

Upon receipt of your request, we will promptly deliver a separate set of proxy materials to you. You may also contact Investor Relations as described above if you are receiving multiple copies of our proxy materials and would like to receive only one copy in the future.

**Table of Contents****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 I directors are to be elected for a term of three years to hold office until the expiration of their term in 2021, or until a successor has been elected and duly qualified. The nominees for Class I director are W. Dean Karrash, Paul A. Powell, Jr. and Edward P. Russell. Messrs. Karrash, Powell and Russell 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. 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 2020 and the term of the Class III directors expires in 2019.

<b>Name and Municipality of Residence</b>	<b>Age</b>	<b>Office</b>	<b>Class</b>
Robert L.G. Watson San Antonio, Texas	67	Chairman of the Board, President and Chief Executive Officer	II
Harold D. Carter Dallas, Texas	79	Director	III
Ralph F. Cox Fort Worth, Texas	85	Director	II
W. Dean Karrash North Wales, Pennsylvania	56	Director	I
Jerry J. Langdon Houston, Texas	66	Director	III
Dennis E. Logue Enfield, New Hampshire	74	Director	II

Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

Brian L. Melton	48	Director	III
Oklahoma City, Oklahoma			
Paul A. Powell, Jr.	72	Director	I
Roanoke, Virginia			
Edward P. Russell	54	Director	I
Stilwell, Kansas			

---

## Table of Contents

### Director Nominees

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

**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 and Certified Financial Planner, 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 and Chief Financial Officer 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.

**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, JWM Partners, Emory Partners and Burnett Partners. Mr. Powell is also manager of WMP Properties LLC and Westpoint LLC, which is the general partner of Westpoint LP. Mr. Powell served on the board of trustees of Emory & Henry College for 16 years (ending in 2016) and currently serves 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.

### Directors with Terms Expiring in 2019 and 2020

**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.

## Table of Contents

**Harold D. Carter**, a director of Abraxas since October 2003, has over 50 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 served as a director of Brigham Resources, LLC from 2013 to 2017 and has served as a director of Brigham Minerals, LLC since 2013. 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 valuable to us because Brigham Exploration's principal area of activity was the Williston Basin, where it targeted the Bakken, Three Forks and Red River formations. Brigham Exploration was acquired in 2011 by Statoil ASA for approximately \$4.4 billion. Additionally, we believe that Mr. Carter's tenure as a director of Brigham Resources is particularly valuable to us because Brigham Resources' principal area of activity was the Delaware Basin, where it targeted the Wolfcamp formation. Brigham Resources was acquired in 2017 by Diamondback for approximately \$2.6 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.

**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 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.

**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.

**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



---

## **Table of Contents**

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.

**Brian L. Melton** has served on the Board of Directors of Abraxas since October of 2009. Mr. Melton has served as the Chief Commercial Officer for Blueknight Energy Partners (Nasdaq: BKEP , or Blueknight ), a publicly traded master limited partnership (MLP) that specializes in providing crude oil and asphalt terminaling, pipeline and transportation services across the U.S., since December 2016, while previously serving as Vice-President of Pipeline Marketing & Business Development for Blueknight from December 2013 until December 2016. 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 MLP s 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.

## **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 Securities Exchange Act of 1934, as amended, or 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 6 through 8 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, 2017, the Board of Directors held four meetings, the Audit Committee held four meetings, the Compensation Committee held two meetings and the Nominating and Corporate Governance Committee



---

## **Table of Contents**

held one meeting. During 2017, 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' 2017 Annual Meeting, all 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 2017, 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 41, 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 met in executive session at each meeting.

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. In May 2017, the Compensation Committee engaged Longnecker and Associates, which we refer to as L&A or the Compensation Consultant, as its independent compensation consultant. 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**

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

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

## **Table of Contents**

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.

## **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 2017. No member of the Compensation Committee was at any time during 2017, 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 Party 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 2017.

## **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

## **Table of Contents**

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 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 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. During 2017, the Nominating and Corporate Governance Committee determined that should a position become available on the board of directors, the Committee would actively search for a qualified candidate that would add diversity to the Board on the basis of gender, race, sexual orientation, gender identity, age, disability unrelated to job requirements or other protected status.

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 2019 Abraxas Annual Meeting" beginning on page 44 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.

### **Non-Management Sessions**

The Board generally schedules regular executive sessions involving exclusively non-management directors generally at the time of each in-person board meeting. Our Lead Independent Director, Mr. Cox, presides at all such executive sessions.



**Table of Contents****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 21, 2018, 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.

Name of Beneficial Owner	Number of Shares <sup>(1)</sup>	Percentage (%)
Robert L.G. Watson	2,528,575 <sup>(2)</sup>	1.5%
Geoffrey R. King	634,464 <sup>(3)</sup>	*
Peter A. Bommer	618,461 <sup>(4)</sup>	*
Tod A. Clarke	268,749 <sup>(5)</sup>	*
G. William Krog, Jr.	385,004 <sup>(6)</sup>	*
Dirk A. Schwartz	135,413 <sup>(7)</sup>	*
William H. Wallace	720,992 <sup>(8)</sup>	*
Stephen T. Wendel	821,476 <sup>(9)</sup>	*
Harold D. Carter	378,614 <sup>(10)</sup>	*
Ralph F. Cox	648,985 <sup>(11)</sup>	*
W. Dean Karrash	666,909 <sup>(12)</sup>	*
Jerry J. Langdon	107,648 <sup>(13)</sup>	*
Dennis E. Logue	320,313 <sup>(14)</sup>	*
Brian L. Melton	240,781 <sup>(15)</sup>	*
Paul A. Powell, Jr.	330,776 <sup>(16)</sup>	*
Edward P. Russell	226,800 <sup>(17)</sup>	*
BlackRock, Inc.	10,925,084 <sup>(18)</sup>	6.6%
The Vanguard Group Inc.	8,456,310 <sup>(19)</sup>	5.1%
All Officers and Directors as a Group (16 persons)	9,033,960	5.5%

\* Less than 1%

(1) Unless otherwise indicated, all shares are held directly with sole voting and investment power.

(2) Includes 1,124,874 shares issuable upon exercise of vested options granted pursuant to the LTIP (as defined on page 24) and 61,365 shares in a retirement account.

(3) Includes 432,625 shares issuable upon exercise of vested options granted pursuant to the LTIP, 25,000 restricted shares subject to vesting and 21,154 shares in a retirement account.

(4) Includes 310,025 shares issuable upon exercise of vested options granted pursuant to the LTIP and 37,974 shares in a retirement account.

(5) Includes 146,375 shares issuable upon exercise of vested options granted pursuant to the LTIP, 60,000 restricted shares subject to vesting and 28,295 shares in a retirement account.

(6) Includes 246,475 shares issuable upon exercise of vested options granted pursuant to the LTIP, 70,000 restricted shares subject to vesting and 29,285 shares in a retirement account.

(7) Includes 49,000 shares issuable upon exercise of vested options granted pursuant to the LTIP, 45,000 restricted shares subject to vesting and 16,141 shares in a retirement account.

(8) Includes 428,657 shares issuable upon exercise of vested options granted pursuant to the LTIP, 75,000 restricted shares subject to vesting and 35,525 shares in a retirement account.

(9) Includes 392,217 shares issuable upon exercise of vested options granted pursuant to the LTIP, 75,000 restricted shares subject to vesting and 122,837 shares in a retirement account.

(10) Includes 171,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan (as defined on page 36, 7,577 shares in a family trust and 42,598 shares in a retirement account.

(11) Includes 231,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan.

(12) Includes 111,000 shares issuable upon exercise of vested options granted pursuant to the Directors Plan and 522,911 shares managed by BLB&B Advisors, LLC. Mr. Karrash is a Portfolio Manager with BLB&B Advisors, LLC and in such capacity shares voting and dispositive power over these shares.

Mr. Karrash disclaims beneficial ownership of the shares managed by BLB&B Advisors, LLC.

(13) Includes 99,000 shares issuable upon exercise of vested options granted pursuant to the Directors Plan.

(14) Includes 231,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan.

(15) Includes 206,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan.

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

- (16) Includes 181,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan and 27,277 shares in various entities managed by Mr. Powell.
- (17) Includes 206,500 shares issuable upon exercise of vested options granted pursuant to the Directors Plan.
- (18) According to information in its Schedule 13G/A dated January 29, 2018, 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.,

**Table of Contents**

BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A. and BlackRock Investment Management, LLC. BlackRock, Inc. has sole dispositive power over 10,925,084 shares and sole voting power over 10,724,502 shares. The address of BlackRock, Inc. is 55 East 52<sup>nd</sup> Street, New York, NY 10055.

- (17) According to information in its Schedule 13G dated February 8, 2018, The Vanguard Group Inc. is the parent corporation of the following subsidiaries which own shares of our common stock: Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd. The Vanguard Group, Inc. has sole dispositive power over 8,175,068 shares and sole voting power over 282,822 shares. The address of The Vanguard Group Inc. is 100 Vanguard Blvd, Malvern, PA 19355.

**Equity Compensation Plan Information**

The following table gives aggregate information regarding grants under all of Abraxas equity compensation plans through December 31, 2017.

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	8,317,416	\$ 2.35	3,603,340
Equity compensation plans not approved by security holders			

**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 2017, 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.

Name and Municipality of Residence	Age	Office
Robert L.G. Watson San Antonio, Texas	67	Chairman of the Board, President and Chief Executive Officer
Geoffrey R. King San Antonio, Texas	37	Vice President Chief Financial Officer
Peter A. Bommer San Antonio, Texas	61	Vice President Engineering
Tod A. Clarke San Antonio, Texas	58	Vice President Land
G. William Krog, Jr. San Antonio, Texas	64	Vice President Chief Accounting Officer
Dirk A. Schwartz San Antonio, Texas	59	Vice President Business Development
William H. Wallace Blanco, Texas	60	Vice President Operations
Stephen T. Wendel San Antonio, Texas	68	Vice President Marketing & Contracts and Secretary

**Robert L.G. Watson** has served as Chairman of the Board, President, Chief Executive Officer and a director of Abraxas since 1977. See page 6 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 to 2012 as a Senior Energy Analyst with a focus on natural resource equities and commodities. Prior to that, he served as an investment banker and in various capital market roles in the Global Power and Energy group at Merrill Lynch and, prior to being acquired by Merrill Lynch, Petrie Parkman. Mr. King has a B.A. in Economics and History from Davidson College and is a CFA® charterholder.

**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.

**Tod A. Clarke** has served as Vice President Land since August 2017. Mr. Clarke joined Abraxas in 2000 as Land Manager. Prior to joining Abraxas, Mr. Clarke worked at Exxon USA for 15 years. Mr. Clarke received a Bachelor of Science Land Management degree from the University of Houston in 1984. Mr. Clarke also is a Certified Petroleum Landman.

**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 being appointed Chief Accounting Officer. 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.

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

**Dirk A. Schwartz** has served as Vice President Business Development since 2017. Mr. Schwartz joined Abraxas in 2013 as Director of Corporate Development. Prior to joining Abraxas, Mr. Schwartz worked at Renegade Petroleum (North Dakota) Ltd. as manager of US negotiations. Mr. Schwartz received a Bachelor of Science in Geology degree from the University of Wyoming in 1982 and a Master of Science in Geology degree from the University of North Dakota in 1987. Mr. Schwartz also is a Certified Petroleum Landman.

**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.

**Table of Contents**

*Stephen T. Wendel* has served as Vice President Marketing & Contracts since August 2017 and as Corporate Secretary since 1988. Mr. Wendel served as Abraxas Vice President of Land and Marketing from 1990 to August 2017. 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.

## Table of Contents

### 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 2017 was a group of exploration and production companies identified by Longnecker & Associates, or L&A or the Compensation Consultant.

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. During 2017, the Compensation Committee engaged L&A to assist in providing a comprehensive assessment of our executive compensation programs. The Compensation Committee retained the sole authority to select, retain, terminate, and approve fees and other retention terms of the relationship with L&A.

During 2017, the Compensation Consultant performed the following services for the Committee:

Conducted an evaluation of the total compensation for each of the NEOs;

Presented information related to current trends and regulatory developments affecting executive compensation programs among the companies in our peer group;

Assisted with the analysis and selection of peer group companies for compensation purposes and for comparative total shareholder return, or TSR, purposes;

Assessed the Company's Annual Bonus Plan (as defined on pages 18-22) metrics versus the companies in our peer group; and

Assessed the Company's LTIP metrics versus the companies in our peer group.

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*

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

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 peer group, within Abraxas' budgetary constraints and commensurate with Abraxas' salary structure;

rewarding outstanding performance; and

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.

**Table of Contents**

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 (the Annual Bonus Plan), and long-term equity based awards granted pursuant to the LTIP, plus other employee benefits generally available to all employees of Abraxas.

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 also 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.

The advisory vote on executive compensation received the majority of the votes FOR the proposal in May 2017. The Company considered the results of last year's shareholder advisory vote and, given the affirmative vote, did not use this as consideration to change executive compensation decisions and policies.

*CEO Pay Ratio*

We believe executive pay must be internally consistent and equitable to motivate our employees to create shareholder value. We are committed to internal pay equity, and the Compensation Committee monitors the relationship between the pay our executive officers receive and the pay our non-managerial employees receive. The Compensation Committee reviewed a comparison of CEO pay (base salary and incentive pay) to the pay of all our employees in 2017. The compensation for our CEO in 2017 was approximately 11.6 times the median pay of our full-time employees.

Our CEO to median employee pay ratio is calculated in accordance with SEC regulations. We identified the median employee by examining the 2017 total cash compensation for all individuals, excluding our CEO, who were employed by us on December 16, 2017, the last day of our payroll year. We included all employees, whether employed on a full-time, part-time, or seasonal basis. We did not make any assumptions, adjustments, or estimates with respect to total cash compensation and we did not annualize the compensation for any full-time employees that were not employed by us for all of 2017. We believe the use of total cash compensation for all employees is a consistently applied compensation measure because we do not widely distribute annual equity awards to employees. Approximately seven percent of our employees receive annual equity awards.

After identifying the median employee based on total cash compensation, we calculated annual total compensation for such employee using the same methodology we use for our named executive officers as set forth in the 2017 Summary Compensation Table later in this proxy statement.

As illustrated in the table below, our 2017 CEO to median employee pay ratio is 11.6:1.

	<b>CEO to Median Employee Pay Ratio</b>	
	<b>President and CEO</b>	<b>Median Employee</b>
Base Salary	\$ 452,333	\$ 91,834
Non-Equity Incentive Plan Compensation		322,000

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

Discretionary Bonus	313,154 <sup>(1)</sup>	2,620 <sup>(2)</sup>
All Other Compensation	12,450 <sup>(3)</sup>	
	\$ 1,099,937	\$ 94,454

- (1) This amount reflects a discretionary holiday bonus and a one-time discretionary bonus of \$8,846 and \$304,308, respectively, awarded to Mr. Watson in 2017.
- (2) This amount reflects a \$2,620 safety bonus to the median employee.
- (3) This amount represents a \$9,450 contribution by Abraxas to Mr. Watson's 401(k) plan and a \$3,000 contribution to Mr. Watson's health savings accounts for 2017.

---

## **Table of Contents**

### *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 the Committee due to bankruptcies and other corporate events to analyze our salary structure. L&A originally identified, and the Committee updated, 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 (and the Committee updated) each company based on:

Market capitalization;

Revenue;

Assets;

Enterprise value; and

Operational similarities.

Using these criteria, in 2017 the following were the comparable companies utilized by the Committee: Approach Resources, Inc. (AREX), Contango Oil & Gas Company (MCF), Earthstone Energy, Inc. (ESTE), Gastar Exploration Inc. (GST), Lonestar Resources US Inc. (LONE), Ring Energy, Inc. (REI) and Rosehill Resources Inc. (ROSE). Lonestar Resources and Rosehill Resources were added to the list in 2017 based upon the criteria originally utilized by L&A. Callon Petroleum Company (CPE), Comstock Resources, Inc. (CRK), Evolution Petroleum Corporation (EPM) and Northern Oil and Gas, Inc. (NOG), were removed from the list as they were no longer comparable companies due to market capitalization or lack of operational similarities.

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 companies. 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.

The base salaries paid to our named executive officers in 2017 are set forth below in the Summary Compensation Table. For 2017, base salaries, paid as cash compensation, were \$1,454,166 with Mr. Watson receiving \$452,333. We believe that the base salaries paid achieved our objectives.

**Annual Bonuses.** Abraxas' Annual Bonus Plan was initially adopted by our Board of Directors in 2003. In May 2017, in connection with the Company's annual compensation cycle, the Compensation Committee asked L&A to conduct a thorough review of the Company's grant practices under the Annual Bonus Plan. Under the terms of the Annual Bonus Plan as approved by Abraxas' stockholders at the annual meeting in 2014, the performance measures include:

Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

increases in, or levels of, net asset value (after taking the risking of reserves into account);

net asset value per share;

pretax earnings;

earnings before interest and taxes;

earnings before interest, taxes, depreciation and amortization;

net income and/or earnings per share;

return on equity, return on assets or net assets, return on capital (including return on total capital or return on invested capital);

**Table of Contents**

share price or stockholder return performance (including, but not limited to, growth measures and total stockholder return, which may be measured in absolute terms and/or in comparison to a group of peer companies or an index);

oil and gas reserve replacement, reserve growth and finding and development cost targets;

oil and gas production targets;

performance of investments in oil and gas properties;

cash flow measures (including, but not limited to, cash flows from operating activities, discretionary cash flows, and cash flow return on investment, assets, equity, or capital); and

levels of operating and/or non-operating expenses.

On August 8, 2017, the Board of Directors, at the recommendation of the Compensation Committee, adjusted the eligibility, metrics and payouts associated with the Annual Bonus Plan. The adjustments become effective on January 1, 2018. For the year ended December 31, 2017, the Compensation Committee utilized Net Asset Value (NAV) to make awards under the Annual Bonus Plan.

Beginning in 2018, employees earning above \$180,000, including all NEOs, will be eligible for participation in the Annual Bonus Plan. Employees earning below \$180,000 will be eligible for participation at the discretion of the Compensation Committee. The target payout will range from 50-70% of the eligible employee's base salary depending upon the employee's role and responsibilities. The target payout will be multiplied by a target multiplier based on Company performance versus a given set of performance measures established by the Compensation Committee. For 2018, the Compensation Committee will utilize seven key performance metrics: (i) oil and gas production versus guidance publicly disclosed to the investment community measured in barrels of equivalent production per day ( Boepd ), (ii) lease operating expenses ( LOE ) per barrel of oil equivalent produced ( LOE/Boe ), (iii) general and administrative expense before non-equity incentive bonus accruals ( Cash G&A ), (iv) Net Asset Value per share ( NAV/share ), (v) ratio of debt to earnings before interest, taxes, depreciation and amortization as calculated under our revolving credit facility ( Debt/Bank EBITDA ), (vi) proved developed producing finding and development costs ( PDP F&D ) and (vii) a subjective determination of individual performance determined by the Compensation Committee. The Compensation Committee believes that the officers and employees can exert some measure of control over these metrics and that these metrics best measure the short-term operational and financial success of the Company. The table below indicates the relative weighting of specific metrics as well as the specific metric targets for the Annual Bonus Plan in 2018:

Metric	Weighting	Threshold	Target	Maximum
Production (Boepd)	20%	10,000	11,000	12,000
LOE/Boe (\$/Boe)	5%	\$ 6.00	\$ 5.00	\$ 4.00
Cash G&A (\$ millions)	5%	\$ 9.5	\$ 9.0	\$ 8.5
NAV/share (\$/share)	20%	\$ 1.49	\$ 1.86	\$ 2.11
Debt/Bank EBITDA	20%	1.45x	1.00x	0.80x
PDP F&D (\$/Boe)	10%	\$ 15.00	\$ 12.50	\$ 10.00
Individual Performance	20%	Determined by Committee		

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

**Production:** In November 2017, Abraxas issued 2018 production guidance of 10,000-12,000 barrels of oil equivalent per day ( Boepd ). This guidance was based on management's estimate of production volumes for the year, which the Compensation Committee felt was a good measurement of operational performance. The low end of the guidance range of 10,000 Boepd represents the threshold level of performance. The high end of the guidance range of 12,000 Boepd represents the maximum level of performance. The mid-point of the guidance range of 11,000 Boepd represents the target level of performance.

**LOE/Boe:** In November 2017, Abraxas issued 2018 LOE/Boe guidance of \$4.00 – \$6.00. This guidance was based on management's estimate of total lease operating expenses divided by total net barrels of equivalent production for the year ended December 31, 2018. The Compensation Committee chose this metric as they believe it is a good measurement of operational performance. The high end of the guidance range of \$6.00/Boe represents the threshold level of performance. The low end of the guidance range of \$4.00/Boe represents the maximum level of performance. The mid-point of the guidance range of \$5.00/Boe represents the target level of performance.

**Cash G&A:** In November 2017, Abraxas issued 2018 Cash G&A guidance of \$8.5 – \$12.5 million. This guidance was based on management's estimate of total Cash G&A for the year ended December 31, 2018 with assumed G&A inflation of

**Table of Contents**

12%. For purposes of this calculation Cash G&A will be calculated before any non-equity incentive bonus accruals.. The Compensation Committee chose this metric based upon its belief that this metric is a good measurement of administrative cost control, which ultimately works to the benefit of shareholders. \$9.0 million represents forecasted cash G&A for 2018 without bonus accruals and with assumed G&A inflation of 12%. The high end of the guidance range of \$9.5 million represents the threshold level of performance. The low end of the guidance range of \$8.5 million represents the maximum level of performance.

NAV/share: NAV/share will be calculated using the same equation outlined and utilized below for 2017. Our 2017 NAV/share based on December 31, 2017 year end reserves equated to \$1.24/share. Growth of 50% above \$1.24/share (or \$1.86/share) represents the minimum level of NAV/share as determined by the Compensation Committee to earn the target level of performance. Growth of 20% above \$1.24/share (or \$1.49/share) represents the minimum level of NAV growth as determined by the Compensation Committee to earn the threshold level of performance. Growth of 70% above \$1.24/share (or \$2.11/share) represents the maximum level of performance. For a calculation of NAV/share, please see pages 21-22.

PDP F&D: the denominator for the PDP F&D calculation will be calculated using proved developed producing reserves as of December 31, 2018 less proved developed producing reserves as of December 31, 2017, plus production for the year ended December 31, 2017, plus any asset sales for the year ended December 31, 2017 less any asset acquisitions (including leasehold acquisitions) for the year ended December 31, 2017. The numerator for the PDP F&D calculation will be total capital expenditures for the year ended December 31, 2018 less any capital expenditures associated with acquisitions (including leasehold acquisitions) for the year ended December 31, 2018. The target level of PDP F&D for the year represents the mid-point of the approximate industry average PDP F&D (\$15.00/bbl) utilized by Seaport Global Securities, Inc. as communicated in March 2018 and Abraxas approximate PDP F&D (\$10.00/bbl) for the year ended December 31, 2017. The threshold level PDP F&D represents the approximate industry average PDP F&D (\$15.00/bbl) as calculated by Seaport Global Securities, Inc. for the year ended December 31, 2017. The maximum level represents the approximate PDP F&D achieved by Abraxas Petroleum for the year ended December 31, 2017.

Debt/Bank EBITDA: for the purposes of this calculation total debt will be calculated as outstanding principal amount of debt, excluding debt associated with the office building and obligations with respect to surety bonds and derivative contracts of the Company as of December 31, 2018. For the purposes of this calculation, Bank EBITDA is defined as the sum of consolidated net income plus interest expense, oil and gas exploration expenses, income, franchise or margin taxes, depreciation, amortization, depletion and other non-cash charges including non-cash charges resulting from the application of ASC 718, ASC 815 and ASC 410-20 plus all realized net cash proceeds arising from the settlement or monetization of any hedge contracts plus expenses incurred in connection with the negotiation, execution, delivery and performance of the credit facility plus expenses incurred in connection with any acquisition permitted under the credit facility plus expenses incurred in connection with any offering of senior unsecured notes, subordinated debt or equity plus up to \$1.0 million of extraordinary expenses in any 12-month period plus extraordinary losses minus all non-cash items of income which were included in determining consolidated net loss, including all non-cash items resulting from the application of ASC 815 and ASC 410-20. The threshold level of Debt/Bank EBITDA is the Company's December 31, 2017 Debt/Bank EBITDA of 1.45x. The target level of Debt/Bank EBITDA is 1.00x. The maximum level of Debt/Bank EBITDA is 0.80x.

The table below shows the calculation of Debt/Bank EBITDA for each of 2016 and 2017 and a reconciliation of Bank EBITDA to Net Income:

(In thousands)

	Year End	
	2016	2017
Net (loss) income	(\$ 96,378)	\$ 16,006
Net interest expense	3,827	2,496
Depreciation, depletion and amortization	24,431	26,226
Amortization of deferred financing fees	1,019	423
Stock-based compensation	3,194	3,238
Impairment	67,626	0
Unrealized (gain) loss on derivative contracts	19,818	4,299
Realized (Gain) loss on monetized derivative contracts	14,370	0
Expenses incurred with offerings and execution of loan agreement	1,747	4,856
Other non-cash items	494	451
<b>Bank EBITDA</b>	<b>\$ 40,148</b>	<b>\$ 57,995</b>
Credit facility borrowings	\$ 93,250	\$ 84,250
<b>Debt/Bank EBITDA</b>	<b>2.32x</b>	<b>1.45x</b>



**Table of Contents**

Individual Performance: the Compensation Committee will make a subjective determination of individual performance of each eligible employee's accomplishments and performance to determine whether that employee earns the Threshold, Target or Maximum level of performance for this metric.

Generally, the bonus amount for the threshold level of performance will be 50% of the target and the bonus amount for maximum level of performance will be 200% of the target. Bonuses can range between these amounts based on the level of performance attained. There is generally no bonus payable with respect to a defined metric if the threshold level of performance is not met on that metric. Performance that would qualify for bonuses at the threshold level is expected in normal operating circumstances. Performance satisfying the criteria for bonuses at the target level is believed to be achievable only with additional effort and results. Performance that would qualify for bonuses at the maximum level is believed to be achievable only with extraordinary efforts and results.

The specific levels of the first three metrics (production, LOE/Boe and Cash G&A) that would trigger the threshold, target and maximum bonus payments will be tied to the Company's public guidance with respect to these metrics. The performance criteria for the target bonus will generally be at the midpoint of the range of the Company's public guidance, with the threshold and maximum bonuses being payable for performance that is less than or exceeds those expectations. The threshold and maximum values are set within ranges recommended by the Compensation Committee and approved by the Board.

For 2017, the Annual Bonus Plan was tied directly to increases in Net Asset Value, or NAV, per share of Abraxas common stock. We initially chose NAV as the foundation of the Annual 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 Annual Bonus Plan in effect for 2017, NAV was calculated at year-end after receipt of the reserve report from our independent petroleum engineering firm and completion of our audited financial statements, 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, 2017, the independent petroleum engineering firm of DeGolyer and MacNaughton estimated reserves for approximately 99% of our proved oil and gas reserves. Proved reserves for the remaining 1% 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

**Table of Contents**

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.

The following table provides a reconciliation of the standardized measure of discounted future net cash flows to PV-10 at December 31, 2016 and 2017 (in thousands):

(in thousands)	December 31,	
	2016	2017
Standardized measure of discounted future net cash flows	\$ 160,600	\$ 405,741
Present value of future income taxes discounted at 10%		21,700
<b>PV-10</b>	<b>\$ 160,60</b>	<b>\$ 427,441</b>

The annual bonuses for 2017 were calculated by the percentage increase in the 2017 year-end NAV per share over the 2016 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 2017, the NAV per share for the prior year-end was calculated after reserves were estimated by our independent petroleum engineering firm and audited financial statements were available. Mr. Watson then submitted the annual bonus calculation to the Compensation Committee for review, discussion and approval.

At the beginning of 2017, the calculated NAV per share was \$0.22 (utilizing commodity prices as of December 31, 2016 and the development costs included in our reserve report prepared by DeGolyer and MacNaughton) and the calculated NAV per share at the end of 2017 (utilizing commodity prices as of December 31, 2016 and the development costs included in our reserve report prepared by DeGolyer and MacNaughton) was \$0.47, a 114.5% increase equating to a 70.0% bonus.

The following table summarizes the bonuses paid to our named executive officers for 2017 under the Annual Bonus Plan:

Name	Base Salary <sup>(1)</sup>	Bonus Award Achieved (Percentage of Salary) <sup>(2)</sup>	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	250,000	70%	70%	175,000	175,000

(1) Base annual salaries in effect at the end of the year, excluding 20% voluntary salary reduction in effect until February 1, 2017.

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

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

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 to pay bonuses even if no bonus would be payable under the Annual Bonus Plan, and further has the discretion not to pay bonuses even if a bonus was earned under the Annual Bonus Plan. In the past, the Committee has elected to pay a portion of

**Table of Contents**

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 the Annual Bonus Plan.

**2017 Discretionary Bonus**

In connection with the closing of the transactions with Blackbeard Resources in August 2017, the Board of Directors, at the recommendation of the Compensation Committee, authorized the payment of a one-time discretionary bonus to all eligible employees of Abraxas and its wholly-owned subsidiary, Raven Drilling, LLC, including the NEOs. In reaching this decision, the Compensation Committee and the Board considered, among other factors, the following:

The cancellation of the 2015 incentive bonus which was earned under the Annual Bonus Plan's performance formula (NAV/share) utilized by the Company, but never paid;

The 20% salary reductions for the NEOs and salary reductions for employees in effect from February 1, 2016 until February 1, 2017;

The lack of a salary increase since 2014 for the NEOs; and

The lack of option and/or restricted stock awards in 2017.

On August 9, 2017, our NEOs received the following one-time discretionary bonus payments:

<b>Name</b>	<b>Position</b>	<b>Discretionary Bonus Paid</b>
Robert L.G. Watson	President and CEO	\$ 304,308
Geoffrey R. King	Vice President and CFO	181,923
Peter A. Bommer	Vice President, Engineering	165,385
William H. Wallace	Vice President, Operations	165,385
Steven T. Wendel	Vice President, Land	158,769

**Long-Term Equity Incentives**

In May 2017, the Compensation Committee retained L&A to conduct a thorough review of the Company's grant practices under the Abraxas Petroleum Corporation Amended and Restated 2005 Employee Long-Term Equity Incentive Plan (LTIP). In August 2017, the Board of Directors, at the recommendation of the Compensation Committee, adjusted the eligibility, targeted vesting schedule and award requirements for the LTIP. The adjustments took effect on January 1, 2018.

Employees, including all of the NEOs, earning above \$180,000 are eligible to participate in the LTIP. Employees earning below \$180,000 are eligible for participation at the discretion of the Compensation Committee. It is anticipated that awards will largely be made up of restricted stock grants. The target award for participants is 50% of the employee's yearly salary, which can be adjusted at the Compensation Committee's discretion. One-half of the target award will vest annually over three years. The remaining half will be based on the achievement of performance goals established by the Compensation Committee.

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

For 2018, the Compensation Committee established that each NEO will receive 50% of his base salary in restricted stock and performance awards under the LTIP. Half of the performance awards under the LTIP will be in restricted shares, which vest annually over three years. The remaining 50% of the award will be in performance shares which will vest on the third anniversary of the grant date of the award based on the Company's achievement of performance goals. The performance goals for 2018 will be based on Relative Total Shareholder Return ( Relative TSR ) versus the Company's peer group over a three-year period starting on December 31, 2017. The Compensation Committee believes Relative TSR is the most prevalent performance measure among the companies in Abraxas' peer group.

**Table of Contents**

For purposes of calculating Relative TSR the Compensation Committee will utilize the peer group disclosed on page 18. Relative TSR will be calculated using each peer group companies' share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualized percentage. The TSR for each of the peers and Abraxas will be ranked from the highest TSR to the lowest TSR. Participants will have the ability to earn a payout of the award versus the target using the following scale:

<b>Abraxas Relative TSR Performance</b>		
<b>Performance Payout</b>	<b>Rank</b>	<b>Payout vs. Target</b>
Maximum	1	200%
	2	150%
Target	3	100%
	4	75%
	5	50%
Threshold	6	25%
	7	0%
	8	0%

Should Abraxas' Total Shareholder Return be a negative percentage over the three-year time period, none of the performance shares will vest. Vesting is accelerated in certain events described under Employment Agreements and Potential Payments Upon Termination or Change in Control. Upon a Termination or Change in Control, the Performance Shares will vest at a maximum 100% targeted payout subject to the shares generating a positive Absolute Total Shareholder Return between the grant date and the effective date of the Termination or Change in Control.

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 the LTIP 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, 2017, a total of 12,600,000 shares of Abraxas common stock were 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.

**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.



---

**Table of Contents**

**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 2017 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 his or her ownership of Abraxas common stock in his or her 401(k) account in the event such employee is over the suggested limit.

*2018 Base Salary Decisions*

In general, base salaries for 2018 increased 12.0% from 2017 for our named executive officers to adjust for increases in the cost of living and to adjust salaries to levels consistent with our peer group while remaining within Abraxas' budgetary constraints.

*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.

*Impact of Regulatory Requirements*

Deductibility of Executive Compensation. In evaluating compensation program alternatives, the Compensation Committee considered the potential impact on the Company of Section 162(m) of the Internal Revenue Code of 1986, as amended. Prior to 2018, Section 162(m) limited to \$1 million the amount that a publicly traded corporation, such as the Company, may deduct for compensation paid in any year to its chief executive officer and certain other named executive officers ( covered employees ). At the time the Compensation Committee made its compensation decisions, the tax law provided that compensation which qualified as performance-based was excluded from the \$1 million per covered employee limit if, among other requirements, the compensation was payable only upon attainment of pre-established, objective performance goals under a plan approved by our stockholders. However, this exception was repealed in the tax reform legislation signed into law on December 22, 2017. As a result, it is uncertain whether compensation that the Compensation Committee intended to structure as performance-based compensation under Section 162(m) will be deductible in the future.

**Table of Contents**

**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, 2017 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.

**Table of Contents**

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee of Abraxas has reviewed and discussed the Compensation Discussion & 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 & 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.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)<sup>(1)</sup></b>	<b>Bonus (\$)<sup>(2)</sup></b>	<b>Stock Awards (\$)<sup>(3)</sup></b>	<b>Option Awards (\$)<sup>(4)</sup></b>	<b>Non-Equity Incentive Plan Compensation (\$)<sup>(5)</sup></b>	<b>All Other Compensation (\$)<sup>(6)</sup></b>	<b>Total (\$)<sup>(7)</sup></b>
Robert L.G. Watson	2017	452,333	313,154			322,000	12,450	1,099,937
	2016	368,000	17,692		269,912	322,000	9,275	986,879
President, Chief Executive Officer and Chairman of the Board	2015	429,330			690,000		9,275	1,128,605
Geoffrey R. King	2017	270,417	187,211			192,500	9,450	659,578
	2016	224,583	10,577		183,866	192,500	8,231	619,757
Vice President Chief Financial Officer	2015	275,000			575,000		9,275	859,275
Peter A. Bommer	2017	245,833	170,193			175,000	12,450	603,476
	2016	204,167	9,615		96,258	175,000	7,482	492,522
Vice President Engineering	2015	250,000			460,000		9,275	719,275
William H. Wallace	2017	245,833	170,193			175,000	24,450	615,476
	2016	204,167	9,615		128,127	175,000	19,482	536,391
Vice President Operations	2015	250,000			460,000		21,275	731,275
Stephen T. Wendel	2017	239,750	163,577			175,000	12,450	590,777
	2016	196,000	9,231		115,119	168,000	7,183	495,533
Vice President Land & Marketing	2015	240,000			345,000		9,275	594,275

- (1) The amounts in this column include any 401(k) plan account contributions made by the named executive officer.
- (2) The amounts in this column reflect a discretionary holiday bonus of \$8,846, \$5,288, \$4,808, \$4,808 and \$4,808 awarded to Messrs. Watson, King, Bommer, Wallace and Wendel, respectively, in 2017. The amounts in this column also reflect a one-time discretionary bonus of \$304,308, \$181,923, \$165,385, \$165,385 and \$158,769 paid to Messrs. Watson, King, Bommer, Wallace and Wendel, respectively, in 2017. Please see page 23 for more details on the one-time discretionary bonus. The amounts in this column also reflect a discretionary holiday bonus of \$17,692, \$10,577, \$9,615, \$9,615 and \$9,231 awarded to Messrs. Watson, King, Bommer, Wallace and Wendel, respectively, in 2016. No holiday bonuses were paid in 2015.
- (3) The amounts in this column reflect the aggregate grant date fair value of stock awards granted during a given year to the named executive officer calculated in accordance with FASB ASC Topic 718. See the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission for a discussion of all assumptions made in the calculation of this amount.
- (4) The amounts in this column reflect the aggregate grant date fair value of options granted during a given year to the named executive officer calculated in accordance with FASB ASC Topic 718. See the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission for a discussion of all assumptions made in the calculation of this amount.
- (5) The amounts included in this column for 2016 and 2017 include cash bonuses earned and paid under the Annual Bonus Plan.
- (6) The amounts in this column represent contributions by Abraxas to the named executive officer's 401(k) plan and health savings accounts for 2015, 2016 and 2017 as well as a \$12,000 vehicle allowance for Mr. Wallace in each of 2015, 2016 and 2017.
- (7) The dollar value in this column for each named executive officer represents the sum of all compensation reflected in the previous columns.

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

The following table provides information with regard to grants of non-equity incentive compensation and all other stock and option awards to our named executive officers in 2017.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			All Other Stock Awards: Number of Shares of Stock (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/share)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(2)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)				
Robert L.G. Watson	3/14/2017		322,000	322,000				
Geoffrey R. King	3/14/2017		192,500	192,500				
Peter A. Bommer	3/14/2017		175,000	175,000				
William H. Wallace	3/14/2017		175,000	175,000				
Stephen T. Wendel	3/14/2017		168,000	168,000				

- (1) Reflects awards payable under the Annual Bonus Plan. The Annual Bonus Plan does not provide for a threshold level as the bonuses under the plan can range from 0 to the maximum, which equals 70% of the named executive officer's base salary. Please see the discussion under Compensation Discussion & Analysis Elements of Executive Compensation Annual Bonuses for more information. Please also refer to column 5 of the Summary Compensation Table.
- (2) The amounts in this column reflect the aggregate grant date fair value of stock awards and options granted in 2017 to the named executive officer calculated in accordance with FASB ASC Topic 718. See the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission for a discussion of all assumptions made in the calculation of this amount.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END**

The following table provides information concerning outstanding equity awards at December 31, 2017 for our named executive officers. We do not have an equity incentive plan as such term is defined in Regulation S-K, Item 402; therefore, these columns have been omitted from the following table.

Name	OPTION AWARDS				STOCK AWARDS	
	Number of Securities Underlying Unexercised Options (Exercisable)	Number of Securities Underlying Unexercised Options (Unexercisable) <sup>(1)</sup>	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested <sup>(2)</sup>	Market Value of Shares of Stock That Have Not Vested (\$) <sup>(3)</sup>
Robert L.G. Watson	125,000		0.99	03/17/2019		
	267,750		1.75	10/05/2019		
	90,000		2.09	03/16/2020		
	60,000		4.72	03/15/2021		
	20,000		3.74	03/08/2022		
	42,000		2.39	05/14/2023		
	34,500	11,500	3.15	03/11/2024		
	150,000	150,000	3.16	03/03/2025		
	103,750	311,250	0.97	03/15/2026		
					20,000	49,200
Geoffrey R. King	200,000		1.99	09/04/2022		
	24,000		2.39	05/14/2023		
	20,625	6,875	3.15	03/11/2024		
	125,000	125,000	3.16	03/03/2025		
	38,000	114,000	0.97	03/15/2026		
	25,000	75,000	1.31	08/09/2026		
					125,000	307,500
Peter A. Bommer	7,500		0.99	03/17/2019		
	31,875		1.75	10/05/2019		
	35,900		2.09	03/16/2020		
	15,000		4.72	03/15/2021		
	25,000		3.55	08/09/2021		
	10,500		3.74	03/08/2022		
	23,500		2.39	05/14/2023		
	18,750	6,250	3.15	03/11/2024		
	100,000	100,000	3.16	03/03/2025		
37,000	111,000	0.97	03/15/2026			
					200,000	492,000
William H. Wallace	50,000		0.99	03/17/2019		
	66,937		1.75	10/05/2019		
	60,000		2.09	03/16/2020		
	30,000		4.72	03/15/2021		
	11,300		3.74	03/08/2022		
	23,500		2.39	05/14/2023		
	18,750	6,250	3.15	03/11/2024		
	100,000	100,000	3.16	03/03/2025		
49,250	147,750	0.97	03/15/2026			
					95,000	233,700
Stephen T. Wendel	50,000		0.99	03/17/2019		
	66,937		1.75	10/05/2019		

Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

60,000		2.09	03/16/2020		
30,000		4.72	03/15/2021		
10,400		3.74	03/08/2022		
22,300		2.39	05/14/2023		
18,000	6,000	3.15	03/11/2024		
75,000	75,000	3.16	03/03/2025		
44,250	132,750	0.97	03/15/2026		
				95,000	233,700

- (1) Options vest in twenty-five percent (25%) increments each year for four (4) years on the anniversary of the grant date.
- (2) In general, stock awards vest in twenty-five percent (25%) increments each year for four (4) years on the anniversary of the grant date. Starting January 1, 2018, the vesting schedule for all restricted stock awards changed to every three years.
- (3) The market value was calculated from the closing price of Abraxas common stock on December 31, 2017 of \$2.46 per share multiplied by the number of shares of stock that had not vested as of December 31, 2017.

**Table of Contents****OPTION EXERCISES AND STOCK VESTED**

The following table provides information concerning exercises of stock options and other stock awards by our named executive officers during the fiscal year ended December 31, 2017.

Name	OPTION AWARDS		STOCK AWARDS	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
Robert L.G. Watson			3,696 <sup>(1)</sup>	6,246
Geoffrey R. King			685 <sup>(2)</sup>	1,158
Peter A. Bommer			1,137 <sup>(3)</sup>	1,921
William H. Wallace			1,681 <sup>(4)</sup>	2,840
Stephen T. Wendel			1,540 <sup>(5)</sup>	2,603

(1) These 3,696 stock awards vested on August 13, 2017 and the closing price of Abraxas common stock on this date was \$1.69.

(2) These 685 stock awards vested on August 13, 2017 and the closing price of Abraxas common stock on this date was \$1.69.

(3) These 1,137 stock awards vested on August 13, 2017 and the closing price of Abraxas common stock on this date was \$1.69.

(4) These 1,681 stock awards vested on August 13, 2017 and the closing price of Abraxas common stock on this date was \$1.69.

(5) These 1,540 stock awards vested on August 13, 2017 and the closing price of Abraxas common stock on this date was \$1.69.

**Pension Benefits**

Abraxas does not sponsor any pension benefit plans and none of the named executive officers contribute to such a plan.

**Non-Qualified Deferred Compensation**

Abraxas does not sponsor any non-qualified defined compensation plans or other non-qualified deferred compensation plans and none of the named executive officers contribute to any such plans.

**Stock Ownership Guidelines**

Abraxas Board has established stock ownership guidelines to strengthen the alignment of director and executive officer interests with those of our stockholders. As of December 31, 2017, we had eight non-employee directors and eight executive officers subject to the stock ownership guidelines. Under the guidelines below, each director and officer is precluded from selling any shares of Abraxas common stock until the director or officer satisfies the ownership guidelines set forth in the following table. Satisfaction of the ownership guidelines will fluctuate with the market value of Abraxas common stock.

Position	Stock Ownership Guidelines
Chief Executive Officer	5x annual base salary
All other Executive Officers	3x annual base salary
Non-employee Directors	3x all fees received during the prior 12-month period, including the value of common shares awarded in lieu of cash payments at the time of issuance

Abraxas Board has discretion to review special situations; however, non-compliance without board approval can result in the loss of future bonuses and discretionary stock-based compensation. As of December 31, 2017, the market value of Abraxas common stock was \$2.46 per share. As an example, Mr. Watson, our chief executive officer, is required to own 934,959 shares of Abraxas common stock to meet the stock ownership guidelines at this price. As of December 31, 2017, two officers and three directors satisfied the minimum stock ownership guidelines.

**Policies Against Hedging and Pledging Stock**

Our NEOs and directors are prohibited from engaging in hedging transactions that are designed to hedge or offset a decrease in market value of such person's Common Stock in the Company. We believe that such conduct could cause an NEO or director to no longer have the same objectives as the Company's other stockholders because these types of transactions could reduce the full risks of stock ownership. In addition, our NEOs and directors may not pledge Company securities as collateral for any other loan.

---

**Table of Contents**

**Employment Agreements and Potential Payments Upon Termination or Change in Control**

Abraxas has entered into employment agreements with each of our named executive officers pursuant to which each will receive compensation as determined from time to time by the Board in its sole discretion. Abraxas has also established the Abraxas Petroleum Corporation Severance Plan, effective December 31, 2008, for all employees who are not subject to an employment agreement. This plan provides severance benefits in the event of a change in control and for certain other changes in conditions of employment. The affected employees would be entitled to receive one month of base salary for each year of service with Abraxas, up to a maximum of 12 months.

The employment agreement for Mr. Watson is scheduled to terminate on December 21, 2018, and is automatically extended for additional one-year terms unless Abraxas gives 120 days notice of its intention not to renew the employment agreement. The employment agreements for Mr. King, Mr. Bommer, Mr. Wallace and Mr. Wendel are scheduled to terminate on December 31, 2018, and are automatically extended for an additional year if by December 1 neither Abraxas nor Mr. King, Mr. Bommer, Mr. Wallace or Mr. Wendel, as the case may be, has given notice to the contrary.

The employment agreements contain the following defined terms:

Cause means termination upon

(i) the continued failure by the officer to substantially perform his duties with Abraxas (other than any such failure resulting from his incapacity due to physical or mental illness or any such actual or anticipated failure resulting from termination by him for Good Reason) after a written demand for substantial performance is delivered to the officer by the Board, which demand specifically identifies the manner in which the Board believes that he has not substantially performed his duties, or

(ii) the engaging by the officer in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise. The officer shall not be deemed to have been terminated for Cause unless and until the officer has been delivered a copy of a resolution duly adopted by the affirmative vote (which cannot be delegated) of not less than a majority of the members of the Board who are not officers of the Company at a meeting of the Board called and held for such purposes (after reasonable notice to the officer and an opportunity for the officer, together with the officer's counsel, to be heard before the Board), finding that in the good faith opinion of the Board, the officer was guilty of conduct set forth above in clauses (i) or (ii) above and specifying the particulars thereof in detail.

Change in Control means the occurrence of

(i) any person or group (as such terms are used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, (the Exchange Act)) becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), except that a person shall be deemed to be the beneficial owner of all shares that any such person has the right to acquire pursuant to any agreement or arrangement or upon exercise of conversion rights, warrants, options or otherwise, without regard to the sixty day period referred to in such Rule), directly or indirectly, of securities representing 20% or more of the combined voting power of the Company's then outstanding securities,

(ii) any person or group making a tender offer or an exchange offer for 20% or more of the combined voting power of the Company's then outstanding securities,

(iii) at any time during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the Company directors then still in office who either were the Company directors at the beginning of the period or whose election or nomination for election was previously so approved (Current Directors), ceasing for any reason to constitute a majority thereof,

(iv) the Company consolidating, merging or exchanging securities with any other entity and the stockholders of the Company immediately before the effective time of such transaction not beneficially owning, immediately after the effective time of such transaction, shares entitling such stockholders to a majority of all votes (without consideration of the rights of any class of stock entitled to elect directors by a separate class vote) to which all stockholders of the corporation issuing cash or securities in the consolidation, merger or share exchange would be entitled for the purpose of electing directors or the Current Directors immediately after the effective time of the consolidation, merger or share exchange not constituting a

**Table of Contents**

majority of the Board of Directors of the corporation issuing cash or securities in the consolidation, merger or share exchange, or

(v) any person or group acquiring 50% or more of the Company's assets.

**Disability** means the incapacity of the officer due to physical or mental illness which causes the officer to have been absent from the full-time performance of his duties with the Company for six consecutive months, and within 30 days after the Company gives the officer written notice of termination, the officer has not returned to the full-time performance of his duties.

**Good Reason** means, without the officer's express written consent, any of the following:

(i) a material adverse alteration in the nature or status of his position, duties or responsibilities,

(ii) a reduction in his current annual base salary,

(iii) a change in the principal place of his employment to a location more than twenty-five (25) miles from the Company's current principal place of employment, excluding required travel on the Company's business to an extent substantially consistent with the officer's present business travel obligations,

(iv) the failure by the Company, without his consent, to pay to him any portion of his current compensation, or to pay to him any portion of any deferred compensation, within ten (10) days of the date any such compensation payment is due,

(v) the failure by the Company to continue in effect any compensation plan in which he participates, or any substitute plans or the failure by the Company to continue his participation therein on the same basis, both in terms of the amount of benefits provided and the level of his participation relative to other participants, as existing,

(vi) the failure by the Company to continue to provide him with benefits at least as favorable to those enjoyed by him under any of the Company's pension, life insurance, medical, health and accident, disability, deferred compensation or savings plans in which he is currently participating, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the officer of any material fringe benefit enjoyed by him, or the failure by the Company to provide him with the number of paid vacation days to which he is entitled on the basis of the Company's practice with respect to him,

(vii) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform his employment agreement, or

(viii) any purported termination of his employment which is not effected pursuant to the employment agreement's termination provisions.

**Retirement** means termination in accordance with the Company's retirement policy, generally applicable to its salaried employees or in accordance with any retirement arrangement established with the officer's consent with respect to himself.

If, during the term of the employment agreement for an officer or any extension thereof, such officer's employment is terminated other than for Cause or Disability, by reason of the officer's death or Retirement, or by such officer for Good Reason, then such officer will be entitled to receive the following:

**Watson** : a lump sum payment equal to the greater of (a) his annual base salary for the last full year during which he was employed by Abraxas or (b) his annual base salary for the remainder of the term of his employment agreement.

**King, Bommer, Wallace and Wendel**: no provisions for termination of employment because at all times during the term of each officer's employment agreement, such officer's employment is at will and may be terminated by Abraxas for any reason without notice or cause. If, during the term of the employment agreement for each of Messrs. King, Bommer, Wallace and Wendel or any extension thereof, a Change in Control

occurs, then such officer will be entitled to an automatic extension of the term of the officer's employment agreement for a period of 36 months beyond the term in effect immediately before the Change in Control.

**Table of Contents**

If, following a Change in Control, an officer's employment is terminated by the Company other than for Cause or Disability, by reason of the officer's death or Retirement, or by such officer for Good Reason, then such terminated officer will be entitled to the following:

Watson: a lump sum payment equal to 2.99 times his annual base salary.

King, Bommer, Wallace and Wendel: a lump sum payment equal to three times his annual base salary.

If any lump sum payment to a named executive officer would individually or together with any other amounts paid or payable constitute an excess parachute payment within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder, the amounts to be paid will be increased so that each named executive officer, as the case may be, will be entitled to receive the amount of compensation provided in his agreement after payment of the tax imposed by Section 280G.

In addition, unvested options and restricted stock that have been awarded to our named executive officers will vest upon any change in control. As of December 31, 2017, our named executive officers held 1,478,625 unvested options, of which 891,750 were in-the-money. Additionally, our named executive officers held 535,000 shares of restricted stock on that date, which were unvested.

**Table of Contents**

The following table provides information concerning termination and change in control payments to each of our named executive officers as if the event occurred on December 31, 2017.

**Termination and Change in Control Payments Table**

Name	Type of Benefit	Before	After	Voluntary	Death /	Change in
		Change in Control Termination w/o Cause or for Good Reason (\$) <sup>(1)</sup>	Change in Control Termination w/o Cause or for Good Reason (\$) <sup>(2)</sup>			
Robert L.G. Watson	Severance pay	460,000	1,375,400			460,000
	Option acceleration		463,763		463,763	463,763
	Restricted stock acceleration		49,200		49,200	49,200
	Total	460,000	1,888,363		512,983	972,963
Geoffrey R. King	Severance pay		825,000			825,000
	Option acceleration		256,110		256,110	256,110
	Restricted stock acceleration		307,500		307,500	307,500
	Total		1,388,610		563,610	1,388,610
Peter A. Bommer	Severance pay		750,000			750,000
	Option acceleration		165,390		165,390	165,390
	Restricted stock acceleration		492,000		492,000	492,000
	Total		1,407,390		657,390	1,407,390
William H. Wallace	Severance pay		750,000			750,000
	Option acceleration		220,148		220,148	220,148
	Restricted stock acceleration		233,700		233,700	233,700
	Total		1,203,848		453,848	1,203,848
Stephen T. Wendel	Severance pay		750,000			750,000
	Option acceleration		197,798		197,798	197,798
	Restricted stock acceleration		233,700		233,700	233,700
	Total		1,181,498		431,498	1,181,498

(1) These amounts reflect a lump sum payment equal to the officer's annual base salary as of December 31, 2017.

(2) These amounts reflect a lump sum payment equal to 2.99x (Watson) and 3.0x (King, Bommer, Wallace and Wendel) the named executive officer's annual base salary as of December 31, 2017. The amounts on the option acceleration row reflect 891,750 in-the-money unvested options for the named executive officers at an average potential value of \$2.46 per share (the difference between the fair market value on December 31, 2017 and the exercise price of the options). Our named executive officers held 535,000 shares of restricted stock valued at the fair market value as of December 31, 2017.

(3) These amounts on the severance pay row reflect a 12-month extension (Watson) and a 36-month extension (King, Bommer, Wallace and Wendel) of each officer's respective employment agreement based on the named executive officer's annual base salary on December 31, 2017 and would be paid over the extension period. The amounts on the option acceleration row reflect 891,750 in-the-money unvested options for the named executive officers at an average potential value of \$2.46 per share (the difference between the fair market value on December 31, 2017 and the exercise price of the options). Our named executive officers held 535,000 shares of restricted stock valued at the fair market value as of December 31, 2017.

**Table of Contents****Compensation of Directors**

All compensation paid to directors is limited to non-employee directors. We use a combination of cash and stock-based incentive compensation to attract and retain qualified individuals to serve on the Board.

**Compensation.** During 2017, each director was paid \$1,600 for each board meeting attended and \$1,100 for each committee meeting attended. The chairman of the Audit Committee received an additional annual fee of \$9,400, the chairman of the Compensation Committee received an additional annual fee of \$5,300 and the chairman of the Nominating and Governance Committee received an additional annual fee of \$2,100.

**Stock Options.** Historically, Abraxas has awarded each director stock options, depending on each director's length of service, with exercise prices equal to the prevailing market prices at the time of issuance, ranging from \$0.99 to \$5.38 per share. Each year at the first regular board meeting following the annual meeting, Abraxas would award each director 25,000 options, in accordance with the terms of the Directors Plan.

The Directors Plan currently reserves 2,900,000 shares of Abraxas common stock, subject to adjustment following certain events, such as stock splits. The maximum annual award for any one director is 100,000 shares. The exercise price of all options awarded is no less than 100% of the fair market value on the date of the award while the option terms and vesting schedules are at the discretion of the Compensation Committee.

Unless otherwise provided in the applicable award agreement, vested awards granted under the Directors Plan shall expire, terminate, or otherwise be forfeited as follows:

three months after the date the Company delivers a notice of termination of a participant's active status, other than in circumstances covered by the following three circumstances:

immediately upon termination for misconduct;

12 months after the date of death; and

36 months after the date on which the director ceased performing services as a result of retirement.

The following table sets forth a summary of compensation for the fiscal year ended December 31, 2017 that Abraxas paid to each director. Abraxas does not sponsor a pension benefits plan, a non-qualified deferred compensation plan or a non-equity incentive plan for its directors; therefore, these columns have been omitted from the following table. Except for reimbursement of travel expenses to attend board and committee meetings, no other or additional compensation for services were paid to any of the directors.

**Director Compensation Table**

Name	Fees Earned or Paid		Option Awards	Total (\$) <sup>(3)</sup>
	in Cash (\$) <sup>(1)</sup>			
Harold D. Carter	51,400		30,500	81,900
Ralph F. Cox	57,800		30,500	88,300
W. Dean Karrash	53,600		30,500	84,100
Jerry J. Langdon	53,600		30,500	84,100
Dennis E. Logue	51,700		30,500	82,200
Brian L. Melton	63,000		30,500	93,500
Paul A. Powell, Jr.	53,600		30,500	84,100

## Edgar Filing: ABRAXAS PETROLEUM CORP - Form DEF 14A

Edward P. Russell	49,200	30,500	79,700
-------------------	--------	--------	--------

- (1) This column represents the amounts paid in cash to each director.
- (2) The amounts in this column reflect the aggregate grant date fair value of stock options granted in 2017 to each director calculated in accordance with FASB ASC Topic 718. See the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission for a discussion of all assumptions made in the calculation of this amount.
- (3) The dollar value in this column for each director represents the sum of all compensation reflected in the previous columns.

**Table of Contents**

The following table provides information concerning outstanding equity awards at December 31, 2017 for our directors:

**Outstanding Equity Awards at Fiscal Year End Table**

Name	Number of Securities Underlying Unexercised Options (Exercisable)	OPTION AWARDS	
		Number of Securities Underlying Unexercised Options (Unexercisable) <sup>(1)</sup>	Option Exercise Price (\$)
Harold D. Carter	10,000		2.75
	10,000		4.51
	10,000		4.32
	10,000		4.50
	10,000		2.36
	10,500		4.13
	12,000		2.90
	12,000		2.39
	12,000		5.38
	25,000		3.66
	25,000		1.34
	25,000		1.87
Ralph F. Cox	10,000		2.75
	10,000		4.51
	10,000		4.32
	10,000		4.50
	50,000		0.99
	10,000		1.06
	10,000		2.36
	10,500		4.13
	12,000		2.90
	12,000		2.39
	12,000		5.38
	25,000		3.66
	25,000		1.34
	25,000		1.87
W. Dean Karrash	12,000		2.90
	12,000		2.39
	12,000		5.38
	25,000		3.66
	25,000		1.34
	25,000		1.87
Jerry J. Langdon	12,000		2.39
	12,000		5.38
	25,000		3.66
	25,000		1.34
	25,000		1.87



**Table of Contents**

Name	OPTION AWARDS		
	Number of Securities Underlying Unexercised Options (Exercisable)	Number of Securities Underlying Unexercised Options (Unexercisable) <sup>(1)</sup>	Option Exercise Price (\$)
Dennis E. Logue	10,000		2.75
	10,000		4.51
	10,000		4.32
	10,000		4.50
	50,000		0.99
	10,000		1.06
	10,000		2.36
	10,500		4.13
	12,000		2.90
	12,000		2.39
	12,000		5.38
	25,000		3.66
	25,000		1.87
25,000		1.34	
Brian L. Melton	75,000		1.64
	10,000		2.36
	10,500		4.13
	12,000		2.90
	12,000		2.39
	12,000		5.38
	25,000		3.66
	25,000		1.34
25,000		1.87	
Paul A. Powell, Jr.	10,000		2.75
	10,000		4.51
	10,000		4.32
	10,000		4.50
	10,000		1.06
	10,000		2.36
	10,500		4.13
	12,000		2.90
	12,000		2.39
	12,000		5.38
	25,000		3.66
	25,000		1.34
	25,000		1.87
Edward P. Russell	75,000		1.64
	10,000		2.36
	10,500		4.13
	12,000		2.90
	12,000		2.39
	12,000		5.38
	25,000		3.66
	25,000		1.34
	25,000		1.87

(1) The options awarded to each non-employee director at the first regular board meeting following the annual meeting vest immediately. Other option awards vest in twenty-five percent (25%) increments each year for four (4) years on the anniversary of the grant date.



**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

**General**

On February 21, 2007, the Board of Directors adopted a formal written related person transaction approval policy, which sets out Abraxas policies and procedures for the review, approval, or ratification of related person transactions. For these purposes, a related person is a director, nominee for director, executive officer, or holder of more than 5% of our common stock, or any immediate family member of any of the foregoing. This policy applies to any financial transaction, arrangement or relationship or any series of similar financial transactions, arrangements or relationships in which Abraxas is a participant and in which a related person has a direct or indirect interest, other than the following:

payment of compensation by Abraxas to a related person for the related person's service in the capacity or capacities that give rise to the person's status as a related person;

transactions available to all employees or all stockholders on the same terms;

purchases of supplies from Abraxas in the ordinary course of business at the same price and on the same terms as offered to any other purchasers, regardless of whether the transactions are required to be reported in Abraxas' filings with the SEC; and

transactions which when aggregated with the amount of all other transactions between the related person and Abraxas involve less than \$10,000 in a fiscal year.

Our Audit Committee is required to approve any related person transaction subject to this policy before commencement of the related person transaction, provided that if the related person transaction is identified after it commences, it shall be brought to the Audit Committee for ratification, amendment or rescission. The chairman of our Audit Committee has the authority to approve or take other actions in respect of any related person transaction that arises, or first becomes known, between meetings of the Audit Committee, provided that any action by the chairman must be reported to our Audit Committee at its next regularly scheduled meeting.

Our Audit Committee will analyze the following factors, in addition to any other factors the members of the Audit Committee deem appropriate, in determining whether to approve a related person transaction:

whether the terms are fair to Abraxas;

whether the transaction is material to Abraxas;

the role the related person has played in arranging the related person transaction;

the structure of the related person transaction; and

the interest of all related persons in the related person transaction.

**Related Party Transactions in 2017**

There were no related party transactions during 2017.

Our Audit Committee may, in its sole discretion, approve or deny any related person transaction. Approval of a related person transaction may be conditioned upon Abraxas and the related person following certain procedures designated by the Audit Committee.

Table of Contents

**PROPOSAL TWO**

**RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Abraxas Board of Directors has selected BDO USA, LLP to serve as Abraxas independent registered public accounting firm for the fiscal year ending December 31, 2018. Although stockholder ratification is not required, the Board of Directors has directed that such appointment be submitted to the stockholders of Abraxas for ratification at the Annual Meeting. Even if the selection is ratified, the Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time if the Audit Committee believes that such a change would be in the best interests of our company and its stockholders. If our stockholders do not ratify the selection of BDO USA, LLP, the Audit Committee will take that fact into consideration, together with such other factors it deems relevant, in determining its next selection of an independent registered public accounting firm.

BDO USA, LLP provided audit services to Abraxas for the year ended December 31, 2017. A representative of BDO USA, LLP will be present at the Annual Meeting, will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

Assuming the presence of a quorum, the affirmative vote of the 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 is necessary to ratify the appointment of Abraxas independent registered public accounting firm. The enclosed proxy card provides a means for stockholders to vote for the ratification of the selection of Abraxas independent registered public accounting firm, to vote against it or to abstain from voting with respect to it. 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 ratification of selection of Abraxas independent registered public accounting firm. Abstentions will have the same legal effect as a vote against the 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 ratification of the selection of BDO USA, LLP, as Abraxas independent registered public accounting firm for the fiscal year ending December 31, 2018.**

**Table of Contents**

**AUDIT COMMITTEE REPORT**

The Audit Committee represents and assists the Board in fulfilling its responsibilities for general oversight of the integrity of Abraxas' financial statements, Abraxas' compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence, the performance of Abraxas' internal audit function, and risk assessment and risk management. The Audit Committee manages Abraxas' relationship with its independent registered public accounting firm (which report directly to the Audit Committee). The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties and receives appropriate funding, as determined by the Audit Committee, from Abraxas for such advice and assistance.

Abraxas' management is primarily responsible for Abraxas' internal control and financial reporting process. Abraxas' independent registered public accounting firm, BDO USA, LLP, is responsible for performing an independent audit of Abraxas' consolidated financial statements and internal control over financial reporting, and issuing opinions on the conformity of those audited financial statements with United States generally accepted accounting principles. The Audit Committee monitors Abraxas' financial reporting process and reports to the Board on its findings.

In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements with Abraxas' management.
2. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Public Company Accounting Oversight Board ( PCAOB ) Auditing Standards 1301, *Communications with Audit Committees*.
3. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent registered public accounting firms' communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm their independence.
4. Based on the review and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in Abraxas' Annual Report on Form 10-K for the year ended December 31, 2017, and for filing with the Securities and Exchange Commission.

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

Brian L. Melton, Chairman

W. Dean Karrash

Jerry J. Langdon

Paul A. Powell, Jr.

**Table of Contents**

**PRINCIPAL AUDITOR FEES AND SERVICES**

***Audit Fees.*** The aggregate fees billed by BDO USA, LLP for professional services rendered for the audit of Abraxas' annual financial statements for the years ended December 31, 2017 and December 31, 2016, the reviews of the condensed consolidated financial statements included in Abraxas' quarterly reports on Form 10-Q for the years ended December 31, 2017 and December 31, 2016 and the preparation and delivery of consents, comfort letters and other similar documents, were \$510,534 and \$480,000, respectively.

***Audit-Related Fees.*** The aggregate fees billed by BDO USA, LLP for assurance and related services that were reasonably related to the performance of the audit or review of Abraxas' financial statements which are not reported in audit fees above, for the years ended December 31, 2017 and December 31, 2016, were \$0 and \$0, respectively.

***Tax Fees.*** The aggregate fees billed by BDO USA, LLP for professional services rendered for tax compliance, tax advice or tax planning for the years ended December 31, 2017 and December 31, 2016, were \$178,800 and \$125,000, respectively.

***All Other Fees.*** The aggregate fees billed by BDO USA, LLP for other services, exclusive of the fees disclosed above relating to financial statement audit and audit-related services and tax compliance, advice or planning, for the years ended December 31, 2017 and December 31, 2016, were \$0 and \$0, respectively.

***Consideration of Non-audit Services Provided by the Independent Registered Public Accounting Firm.*** The Audit Committee has considered whether the services provided for non-audit services are compatible with maintaining BDO USA, LLP's independence, and has concluded that the independence of such firm has been maintained.

**AUDIT COMMITTEE PRE-APPROVAL POLICY**

The Audit Committee's policy is to pre-approve all audit, audit-related and non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee approved all of the fees described above. The Audit Committee may also pre-approve particular services on a case-by-case basis. The independent registered public accounting firm is required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with such pre-approval. The Audit Committee may also delegate pre-approval authority to one or more of its members. Such member(s) must report any decisions to the Audit Committee at the next scheduled meeting.

**Table of Contents**

**PROPOSAL THREE**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Abraxas asks that you indicate your support for our executive compensation policies and practices as described in our Compensation Discussion & Analysis, accompanying tables and related narrative contained in this proxy statement beginning on page 16. Your vote is advisory and will not be binding on the Board of Directors; however, the Board of Directors will review the voting results and take them into consideration when making future decisions regarding executive compensation.

The Compensation Committee is responsible for executive compensation and works to structure a compensation plan that reflects Abraxas underlying compensation philosophy of aligning the interests of our executive officers with those of our stockholders. Key elements of this philosophy are:

Establishing compensation plans that deliver base salaries which are competitive with companies in our industry.

Rewarding outstanding performance particularly where such performance is reflected by an increase in Abraxas Net Asset Value.

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.

Based on the above, and pursuant to Section 14A of the Exchange Act, we request that stockholders approve the compensation of our named executive officers as disclosed in the Compensation Discussion & Analysis, the compensation tables and the related narrative discussion of this proxy statement.

**Vote Required**

Assuming the presence of a quorum, the affirmative vote of the holders of a majority of the shares of Common Stock present in person or by proxy and entitled to vote on this proposal at the annual meeting is necessary to approve this proposal. The enclosed form of proxy provides a means for stockholders to vote for the approval of this proposal. 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 this proposal. Under applicable Nevada law, in determining whether this item has received the requisite number of affirmative votes, broker non-votes will not be counted and will have no effect. Abstentions are treated as present and entitled to vote and will have the same effect as a vote against this item.

As an advisory vote, this proposal is nonbinding. Although the vote is nonbinding, the Board and the Compensation Committee value the opinions of our stockholders and will consider the outcome of the vote when making future compensation decisions for our NEOs. We have held such advisory votes on executive compensation each year since 2011.

**The Board of Directors recommends a vote FOR the advisory proposal to approve the compensation of our NEOs.**

**Table of Contents**

**STOCKHOLDER PROPOSALS FOR 2019 ABRAXAS ANNUAL MEETING**

Abraxas intends to hold its next annual meeting during the second quarter of 2019, according to its normal schedule. In order to be included in the proxy material for the 2019 Annual Meeting, Abraxas must receive eligible proposals from stockholders intended to be presented at the annual meeting on or before December 4, 2018, directed to the Abraxas Secretary at the address indicated on the first page of this proxy statement.

According to our Amended and Restated Bylaws, Abraxas must receive timely written notice of any stockholder nominations and proposals to be properly brought before the 2019 Annual Meeting. To be timely, such notice must be delivered to the Abraxas Secretary at the principal executive offices set forth on the first page of this proxy statement between February 7, 2019 and the close of business on March 9, 2019. The written notice must set forth, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made: (i) the name and address of such stockholder, as they appear on Abraxas books, and of such beneficial owner, if any, (ii) (a) the class or series and number of Abraxas shares which are, directly or indirectly, owned beneficially and of record by such stockholder and such beneficial owner, (b) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of Abraxas shares or with a value derived in whole or in part from the value of any class or series of Abraxas shares, whether or not such instrument or right shall be subject to settlement in the underlying class or series of Abraxas capital stock or otherwise (a Derivative Instrument ) directly or indirectly owned beneficially by such stockholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of Abraxas shares, (c) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any shares of any Abraxas security, (d) any short interest in any Abraxas security (a person shall be deemed to have a short interest in a security if such person, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (e) any rights to dividends on the Abraxas shares owned beneficially by such stockholder that are separated or separable from the underlying Abraxas shares, (f) any proportionate interest in Abraxas shares or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (g) any performance-related fees (other than an asset-based fee) that such stockholder is entitled to, based on any increase or decrease in the value of Abraxas shares or Derivative Instruments, if any, as of the date of such notice including, without limitation, any such interests held by members of such stockholder's immediate family sharing the same household (which information shall be supplemented by such stockholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), and (iii) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder.

If the notice relates to any business other than a nomination of a director or directors that the stockholder proposes to bring before the meeting, the notice must set forth (i) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest of such stockholder and beneficial owner, if any, in such business and (ii) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder.

As to each person, if any, whom the stockholder proposes to nominate for election or reelection to the Board of Directors, the notice must set forth (i) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K (or any successor rule) if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the registrant for purposes of such rule and the nominee were a director or executive officer of such registrant, and include a completed, dated and signed questionnaire, representation and agreement.

---

**Table of Contents**

To be eligible to be a nominee for election or reelection as a director of Abraxas, a person must deliver (in accordance with the time periods prescribed above for delivery of notice) to the Secretary at the principal executive offices of Abraxas a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (i) is not and will not become a party to (a) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of Abraxas, will act or vote on any issue or question (a Voting Commitment ) that has not been disclosed to Abraxas or (b) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of Abraxas, with such person's fiduciary duties under applicable law, (ii) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than Abraxas with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (iii) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of Abraxas, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of Abraxas. Abraxas may also require any proposed nominee to furnish such other information as may reasonably be required by Abraxas to determine the eligibility of such proposed nominee to serve as an independent director of Abraxas or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

In the event that the 2019 Annual Meeting is more than 30 days from May 8, 2019 (the anniversary of the 2018 Annual Meeting), the dates for submission of proposals to be included in the proxy materials and for business to be properly brought before the 2019 Annual Meeting will change according to Abraxas' Amended and Restated Bylaws and Regulation 14A under the Exchange Act. A copy of Abraxas' Amended and Restated Bylaws setting forth the advance notice provisions and requirements for submission of stockholder nominations and proposals may be obtained from the Abraxas Secretary at the address indicated on the first page of this proxy statement.

**OTHER MATTERS**

No business other than the matters set forth in this proxy statement is expected to come before the meeting, but should any other matters requiring a stockholder's vote arise, including a question of adjourning the meeting, the persons named in the accompanying proxy will vote thereon according to their best judgment in the interests of Abraxas. If a nominee for office of director should withdraw or otherwise become unavailable for reasons not presently known, the persons named as proxies may vote for another person in his place in what they consider the best interests of Abraxas.

**Upon the written request of any person whose proxy is solicited hereunder, Abraxas will furnish without charge to such person a copy of its annual report filed with the Securities and Exchange Commission on Form 10-K, including financial statements and schedules thereto, for the fiscal year ended December 31, 2017. Such written request is to be directed to Investor Relations, 18803 Meisner Drive, San Antonio, Texas 78258.**

By Order of the Board of Directors

Stephen T. Wendel

SECRETARY

San Antonio, Texas

April 3, 2018

**Table of Contents**

**Annual Meeting of Abraxas Petroleum Corporation**

**to be held on Tuesday, May 8, 2018**

**for Holders of Record as of March 21, 2018**

**This Proxy is Being Solicited on behalf of the Board of Directors**

The undersigned stockholder of Abraxas Petroleum Corporation (the Company), hereby appoints Robert L.G. Watson and Geoffrey R. King, and each of them, as proxies and attorneys-in-fact, each with full power of substitution, and hereby authorizes them to represent and to vote, as instructed on the reverse side, all the shares of Abraxas common stock which the undersigned may be entitled to vote at the Annual Meeting of Stockholders to be held on May 8, 2018, and any adjournment thereof, with all powers which the undersigned would possess if personally present, conferring authority upon such proxies to vote in their discretion on such other matters or postponement as may properly come before the meeting. This Proxy revokes any proxy heretofore given with respect to the Annual Meeting.

The undersigned acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement of Abraxas dated April 3, 2018.

(Continued and to be signed on the reverse side)

**SEE REVERSE  
SIDE**

p TO VOTE BY MAIL, PLEASE DETACH HERE p

**Table of Contents**

Please mark THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** ALL IN PROPOSAL 1 AND  
 vote as **FOR** PROPOSALS 2 AND 3 ALL OF WHICH HAVE BEEN PROPOSED BY THE BOARD  
 indicated in OF DIRECTORS.  
 this example

1. To elect as directors to the Abraxas Board of Directors the three nominees below for a term of three years:

01 W. Dean Karrash

02 Paul A. Powell, Jr.

03 Edward P. Russell

<b>FOR</b>	<b>WITHHOLD ALL</b>	<b>FOR ALL</b>
<b>ALL</b>		<b>EXCEPT</b>

**To withhold authority to vote for any individual nominee(s), mark FOR ALL EXCEPT and write the name(s) of the nominee(s) on the line below.**

**FOR      AGAINST      ABSTAIN**

(2) To ratify the appointment of BDO USA, LLP as Abraxas independent registered public accounting firm for the year ended December 31, 2018.

(3) To approve, by advisory vote, the compensation of the Company's named executive officers.

(4) 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.

**Authorized Signatures      This section must  
 be**

**completed of your instructions to be  
executed.**

Date: 2018

Please sign here

Please sign here

Title

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

PLEASE COMPLETE, DATE, SIGN AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE

p TO VOTE BY MAIL, PLEASE DETACH HERE p

**VOTE BY TELEPHONE OR INTERNET**

**QUICK \* \* \*EASY \* \* \*IMMEDIATE**

Your telephone or internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card by mail.

**VOTE BY INTERNET:** The web address is [www.proxyvoting.com/axas](http://www.proxyvoting.com/axas). You will be asked to enter a CONTROL NUMBER which is located in the lower right hand corner of this form.

**VOTE BY PHONE:** You will be asked to enter a CONTROL NUMBER which is located in the lower right hand corner of this form

**Call \* \* Toll Free \* \* On a Touch-Tone Telephone**

**1-800-730-7360**

**There is NO CHARGE to you for this call**

**OPTION A:** You are encouraged to review each proposal and select a voting choice before you submit your proxy. Please press 0 in order to vote on each proposal separately.

**OPTION B:** If you prefer not to select a voting choice with respect to each proposal you may press 1 to submit a proxy. If you select this option, your shares will be voted in accordance with the recommendations made by the Board of Directors.

***THANK YOU FOR VOTING.***

**CONTROL NUMBER**  
**for Telephone/Internet Voting**