

RAM ENERGY RESOURCES INC  
Form 10-K/A  
December 18, 2009

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K/A**

**Amendment No. 2**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2008**

**OR**

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 000-50682**

**RAM Energy Resources, Inc.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of**  
  
**incorporation or organization)**

**20-0700684**  
**(I.R.S. Employer Identification**  
  
**Number)**

**5100 East Skelly Drive, Suite 650**

**Tulsa, Oklahoma**  
**(Address of principal**  
  
**executive office)**

**74135**  
**(Zip Code)**

**(918) 663-2800**

**(Registrant's telephone number, including area code)**

**Securities registered pursuant to Section 12(b) of the Act:**

**None**

**Securities registered pursuant to Section 12(g) of the Act:**

**Common Stock, \$.0001 par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of March 11, 2009, there were outstanding 79,668,062 shares of registrant's \$.0001 par value common stock. Based upon the closing price for the registrant's common stock on the NASDAQ Capital Market as of June 30, 2008, the aggregate market value of shares of common stock held by non-affiliates of the registrant was approximately \$254.0 million.

Documents incorporated by reference: Except with respect to Item 11, the information called for by Part III is incorporated by reference to the definitive proxy statement for the Registrant's 2009 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission, or SEC, no later than 120 days after December 31, 2008.

**EXPLANATORY NOTE**

This Amendment No. 2 on Form 10-K/A (the Amendment ) amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, originally filed with the Securities and Exchange Commission (the SEC ) on March 12, 2009, and subsequently amended on December 4, 2009 (collectively, the Original Filing ). We are filing this Amendment solely for the purpose of amending and restating in full Part III, Item 11 Executive Compensation, in response to comments received from the SEC with regard to our executive compensation disclosure in our Definitive Proxy Statement on Schedule 14A filed April 2, 2009. No attempt has been made in this Amendment to modify or update other disclosures presented in the Original Filing. This Amendment does not reflect events occurring after the date of the filing of the Original Filing or modify or update other disclosures, including the exhibits to the Original Filing, affected by subsequent events. In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by our principal executive officer and principal financial officer are being filed as exhibits under Part IV, Item 15.

**PART III**

**Item 11. *Executive Compensation*  
Compensation Discussion and Analysis**

*Overview of Compensation Program*

Our Board of Directors has overall responsibility for establishing compensation for our directors and executive officers. Our Board of Directors has delegated to the Compensation Committee of the Board the responsibility for establishing, implementing and continually monitoring adherence with our compensation philosophy with respect to our executive officers. The Committee makes all decisions with respect to base salaries and incentive compensation paid to our executive officers, including equity-based awards under our 2006 Long-Term Incentive Plan, and after consultation with our president and chief executive officer, approves equity awards under our 2006 plan to our non-officer employees. The Committee ensures that the total compensation paid to our executive officers is fair, reasonable and competitive. The individuals who served as our chief executive officer and chief financial officer during fiscal 2008, as well as the other individuals included in the Summary Compensation Table provided below, are referred to as our named executive officers. With the exception of our president and chief executive officer, Larry E. Lee, and our chief financial officer, G. Les Austin, the types of compensation and benefits provided to our named executive officers are similar to those provided to other executive officers. Compensation and benefits provided to Messrs. Lee and Austin are controlled by their employment agreement or arrangement described below.

*Role of Executive Officers in Compensation Decisions*

Our president and chief executive officer annually reviews the performance of each executive officer (other than himself, whose performance is reviewed by the Committee). The conclusions reached as the result of and recommendations based on these reviews, including recommendations with respect to salary adjustments and annual bonus or equity award amounts, are presented to the Committee. The Committee then exercises its discretion in determining base salary adjustments and incentive compensation awards to our executive officers. Decisions regarding the non-equity compensation of other employees are made by our president and chief executive officer after consultation with the Committee.

*Compensation Philosophy and Objectives*

The Committee believes that the most effective executive compensation program is one designed to attract and retain highly qualified individuals to fill our executive officer positions, reward longevity of employment, reward the achievement of annual, long-term and strategic goals, align the executives' interests with those of the stockholders and ultimately improve stockholder value. The Committee evaluates both performance and compensation to ensure we maintain our ability to attract and retain superior employees in key positions and that compensation provided to our key employees remains competitive relative to the compensation paid to similarly situated executives of our peer companies. To that end, the Committee believes executive compensation packages provided to our executives, including our named executive officers, should include both cash and stock-based compensation.

Our Committee determines base salaries and cash and stock-based incentive compensation awards for our executive officers to accomplish the following:

maintain competitive levels of compensation in order to retain key employees due to the continuing competitive environment in the energy industry;

reward key employees for job performance over the past year;

recognize longevity as an important aspect of the officer ranks, which results in more predictable leadership and more efficient and productive employees throughout our organization;

provide incentive to continue the provision of high-level job performance; and

in all matters involving compensation of our officers and employees, to be fair to the officers and employees on the one hand, and to our stockholders on the other hand, by setting compensation in a manner that aligns the interests of the parties with the ultimate goal of enhancing our long-term performance.

Our Committee believes that an important measure of an executive's individual performance is Company performance, because the Company's overall performance is in many respects directly attributable to the efforts of the executive management team. However, the Committee is also aware of the fact that in the oil and natural gas exploration and production industry, some metrics, such as (i) revenues, income, earnings and other GAAP-based financial results, (ii) Modified EBITDA, adjusted cash flow and other non-GAAP calculations, (iii) the PV-10 value of proved reserves and the standardized measure of discounted future cash flows, and (iv) to a lesser extent, the volume of proved reserves, are subject to and dependent upon actual oil and natural gas sales prices, which are not within the control of management. Accordingly, the Committee places less importance on commodity price driven metrics and more on importance on matters that can be directly influenced by management involvement.

#### *Setting Executive Compensation*

In determining base salaries and incentive compensation for our executive officers, our Compensation Committee first considers the current level of the executive's compensation, both internally and relative to other Company officers, and the executive's individual performance, which is the critical factor in determining merit-based increases and incentive compensation. The Committee also reviews market data provided by outside consultants with respect to a select peer group of companies. The entire process can best be described as: first, looking within our Company at the current salary structure among the executive group to ensure fairness and consistency; second, evaluating each executive's individual performance to ensure that compensation is performance based; and third, looking at peer group companies to determine if the range of compensation paid to our executives is within the fairway of the compensation paid to executives in similarly situated companies. The use of peer group data, while part of the process, is intended to ensure that the compensation paid to our executives is fair when compared to similar companies, and to give the Compensation Committee some objective basis to support its salary determination decisions.

The Committee engaged Pearl Meyer & Partners, an outside compensation consulting firm, to assist the Board and the Committee in crafting our total compensation program for our executive officers for 2008 and to assist the Board in determining compensation for our directors. Pearl Meyer provided the Committee with a competitive salary analysis showing market average compensation for executive officers in companies similar to ours. Utilizing in part this report, the Committee approved the increase in Mr. Lee's and our other executive officers' base salaries, the granting of a cash bonus to Mr. Lee and our other executive officers for services provided in 2008 and made recommendations to our Board of Directors regarding director compensation, which recommendations subsequently were approved. The peer group referenced in the Pearl Meyer report consisted of: Berry Petroleum, Brigham Exploration Company, Delta Petroleum Corporation, Edge Petroleum Corporation, McMoran Exploration Company, Parallel Petroleum Corporation, Petrohawk Energy Corporation, Swift Energy Company, TXCO Resources, Inc., Venoco, Inc., and Whiting Petroleum Corporation. While our Compensation Committee utilizes data regarding peer group companies to determine if the range of compensation paid to our executive officers and directors is within the fairway of compensation paid to executives in and directors of similarly situated companies, our Committee does not benchmark executive and director compensation to other companies.

#### *2008 Executive Compensation Components*

For the fiscal year ended December 31, 2008, the principal components of compensation for our named executive officers were:

base salary;

performance-based incentive compensation; and

perquisites and other personal benefits.

When selecting the components and amounts of compensation for 2008, the Compensation Committee specifically intended to reward key employees for excellent job performance and long work hours over the past year, during which we accomplished substantially all of the goals and objectives for the year set by our Nominating and Corporate Governance Committee. Our Compensation Committee also intended to provide incentives going forward into 2009, a year in which we expected increasing challenges relating to our operations and financial condition as a result of the current worldwide economic crisis and dysfunction in the credit and capital markets.

The base salary and incentive compensation paid to certain named executive officers for 2008 were determined by employment contracts or retention agreements. The base salary paid to Mr. Lee, our president and CEO, was determined pursuant to the terms of his employment agreement, as described below. The base salary, cash bonus and restricted stock awards paid or granted to Mr. Austin, our senior vice president and CFO, were determined pursuant to the terms of our employment agreement with Mr. Austin, also as described below. Of the \$276,000 cash bonus compensation paid to Ms. Lindsey, our vice president, accounting and controller, \$220,000 of such amount was paid pursuant to a retention agreement entered into between Ms. Lindsey and Ascent Energy Inc. prior to the acquisition of Ascent by the Company in November 2007.

Mr. Longmire, our former senior vice president and CFO, retired in April 2008, and did not receive any incentive compensation for 2008, either as cash bonus compensation or equity awards under our 2006 plan.

In determining compensation for our named executive officers for 2008 (other than those executive officers for whom 2008 compensation was determined pursuant to an employment or retention agreement), the Committee noted that we had met substantially all of the corporate goals and objectives set by our Nominating and Corporate Governance Committee for 2008, all of which were directly influenced by the management team, as follows: (i) we successfully integrated in an effective and efficient manner the properties acquired from Ascent Energy Inc. in November 2007, (ii) our production of oil, natural gas and natural gas liquids increased to 2.55 million barrels of oil equivalent ( BOE ), up 80% from 2007, (iii) our exploration and development activities resulted in extensions of existing reserves and discoveries of new reserves totaling 5.0 million BOE during the year, (iv) we maintained compliance with all financial ratios and other covenants under our senior secured credit facility; (v) we developed an effective plan for transition of all accounting functions to our Plano office; (vi) we developed an effective risk management plan; (vii) we initiated development of a succession plan for our senior officers; (viii) we successfully executed our business plan for the year as approved by our Board; and (ix) we met all of the guidance objectives furnished to market analysts for the year. These achievements reflect quality planning, decision-making and supervision by members of the management team and were credited to each member of the management team in the process of determining incentive compensation for the named executive officers.

Although we obtained this financial and operating success, as well as a resulting increase in our intrinsic value and that of our assets, the Committee recognized that our stock price had declined precipitously at the end of 2008. The Committee determined that the cause of this decline was not due to the actions of management, but rather to:

the current worldwide economic crisis and the resulting slowdown in the United States economy evidencing the early stages of a recession that may last through calendar year 2009;

the resulting reduction in worldwide demand for oil and natural gas, resulting in the realization of lower prices for our oil and natural gas;

the continuing dysfunction in worldwide capital and credit markets; and

the irrational behavior of the stock market, without regard to the intrinsic value of companies whose stock prices have been driven to unimaginable lows.

Recognizing the decline in the current market value of our common stock, the Committee determined that cash bonuses paid to our executive officers for 2008 should not exceed the cash bonuses awarded to our executive officers in 2007.

Personal performance factors taken into account by the Committee with respect to each of the named executive officers whose incentive compensation was not determined by contract included both (i) an evaluation of subjective factors that bear upon the named executive officer's value to the Company, including management style and expertise, management effectiveness, experience and knowledge of the Company, its properties, business plan and objectives, past performance in obtaining desired results, longevity of employment, reputation and stature among industry peers, and interpersonal relations with other members of the management team and with subordinates, and (ii) an evaluation of objective factors that relate specifically to the performance by the named executive officer of the executive officer's assigned duties and responsibilities during the preceding year. No specific weighting of subjective

and objective factors is utilized by the Committee in setting base salaries or determining annual cash bonuses or equity awards under our 2006 plan. Examples of objective factors taken into account by the Committee in determining the 2008 incentive compensation for each of the named executive officers whose incentive compensation was not determined by contract included the following:

Larry E. Lee President and CEO

As noted above, the individual performance factors considered by the Committee in determining Mr. Lee's cash bonus compensation are set out in detail below. See, Executive Employment Agreements and Arrangements Larry E. Lee.

Larry G. Rampey Senior Vice President, Operations

Designing, implementing and supervising the successful execution of the capital expenditures component of the Company's business plan;

Implementing procedures to reduce field operating expenses and streamline production operations;

Planning for and directing the testing of all prospective areas identified on the Ascent Energy properties and identifying new areas for further development;

Assimilating all of the Ascent operations and field employees into our operations structure, including the reorganization and rebranding of the Ascent entities' operations; and

Supervising the development of our enhanced environmental and safety programs.

Drake N. Smiley Senior Vice President, Land, Legal and Exploration

Addition of a significant number of proved undeveloped locations, together with probable and possible locations, in a South Texas producing area, based upon the acquisition and reworking of 3-D seismic data and continuous geologic mapping;

Identification and exploitation of three prospective exploration/step-out projects adjacent to a recently acquired producing field;

Aggressive continuation of a 3-D seismic acquisition program on our Tier 1 Barnett Shale acreage in North Texas, resulting in the addition of a significant number of prospective drilling locations;

Successful negotiation and closing of two producing property acquisitions;

Identification and successful development of a previously unidentified shallow reservoir in a producing field; and

Identification, negotiation and acquisition of a significant exploration and development concession on Indian lands.

G. Les Austin Senior Vice President, CFO, Secretary and Treasurer



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As noted above, cash bonus compensation and restricted stock awards paid or granted to Mr. Austin for 2008 were determined pursuant to his employment agreement, described below. See, Executive Employment Agreements and Arrangements G. Les Austin.

Vicky Lindsey Vice President, Accounting and Controller

Overseeing the successful integration of the former Ascent entities into our consolidated company structure, including first year Sarbanes-Oxley compliance for Section 404 public accounting firm certification;

Overseeing upgraded computer systems to improve reporting capabilities in all areas, including cost containment and standardization; and

Implementing procedures to reduce controllable general and administrative expenses during the economic slowdown experienced during the second half of 2008.

*Base Salary*

We provide our named executive officers and other employees with base salary to compensate them for services rendered during the fiscal year. Base salary ranges for our named executive officers are determined for each executive based on his or her position and responsibility by using market data and by performance evaluations. Base salary ranges are designed so that salary opportunities for a given position generally will be within the 50th percentile of the market salary surveyed, although as noted above, our Committee does not benchmark executive compensation to that paid by other companies.

During its review of base salaries for executives, the Committee primarily considers:

internal review of the executive's compensation, both individually and relative to other officers;

individual performance of the executive; and

market data provided by our outside consultants.

Salary levels are typically considered annually as part of our performance review process as well as upon a promotion or other change in job responsibility. Merit-based increases to salaries of named executive officers are based on the Committee's assessment of the individual's performance.

*Performance-Based and Incentive Compensation*

Performance-based and incentive compensation may be paid in the form of cash bonuses, grants of restricted stock, share units, stock options, stock appreciation rights, performance units and performance bonuses, or some combination of these awards. In granting these awards, the Committee may establish any conditions or restrictions it deems appropriate.

The Committee did not use specific financial or operational targets to determine awards of incentive compensation for 2008. The Committee did, however, discuss implementing specific financial or operational targets in its deliberations of future incentive compensation. However, the nature of the oil and natural gas industry makes targets difficult, because many of the components of financial and operational targets tend to be outside of management's control. These components include commodity prices, availability of drilling and service equipment, and drilling and completion schedules under the control of third parties, among others.

For determination of the 2008 performance-based cash bonuses, the Committee considered the Pearl Meyer report containing market data from industry peers. From this report, the Committee established target bonuses including a range from threshold to maximum bonuses. The Committee evaluated the individual performance of our named executive officers, as described above, including the individuals' contribution to the achievement of corporate goal and objectives, and determined the 2008 performance-based cash bonuses. The resulting bonuses were within the market of the peer group companies included in the Pearl Meyer report.

The following table sets forth performance-based cash bonuses awarded to our officers and non-officer employees in 2008:

<b>Named Executive Officers</b>	<b>Cash Bonuses</b>
Larry E. Lee	\$ 400,000
Larry G. Rampey	165,000
Drake N. Smiley	150,000
G. Les Austin	125,000
John M. Longmire	
Vicky L. Lindsey	56,000
	\$ 896,000
Other Officers	\$ 373,500

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Non-Officer Employees	\$ 1,799,735
Total	\$ 3,069,235

In connection with the award of long-term incentive equity grants under our 2006 plan, the Committee reviewed its previously adopted philosophy concerning the grant of equity awards under our 2006 plan, as follows:

our most important asset is a highly educated, well-trained, experienced and dedicated management, professional and support staff;

in the current environment in the oil and natural gas exploration and production industry, attracting and retaining top quality management, professional and support staff is more competitive than ever;

in order to build and preserve this most important asset, we must offer attractive compensation and equity-based incentives to our key management, professional and support staff;

equity-based awards create an identity of interest between our key employees and our stockholders; and

equity-based awards incentivize award recipients to give their best efforts toward maximizing the value of our oil and natural gas assets and controlling costs, thereby providing the circumstances most likely to result in stock price natural appreciation for the benefit of all equity holders.

The Committee also renewed its commitment to granting equity-based awards in the form of restricted stock rather than stock options or other types of equity-based awards available under the 2006 plan because:

restricted stock awards are more desirable, from the employee's standpoint, because they are more immediate and substantive than options;

employees receiving stock awards are stockholders with voting rights and the right to receive current dividends, instead of just option holders with the possibility of becoming stockholders in the future, thereby creating an immediate identity of interest with the public stockholders; and

restricted stock awards are more attractive to us because fewer shares are required to achieve the same incentive result.

Grants of restricted stock were based on a formula suggested by our president and chief executive officer of a factor (determined by employee grade level) multiplied by base salary and divided by the average price per share of our common stock (minimum \$4.05/per share). Under our 2006 plan, the number of shares granted to any executive officer may not exceed 100,000 shares per year. The Committee reviewed this recommendation and then finalized the grant after consideration of subjective factors deemed relevant in its own discretion.

In determining the 2008 stock-based awards granted under our 2006 plan, the Committee also considered a 2007 report from Villareal & Associates, another independent compensation consulting firm engaged by the Committee to provide peer group data. Our Committee neither benchmarks equity awards based on any market salary survey nor maintains a formal policy or purely objective criteria to determine award grants. The 100,000 share grant to Mr. Austin, hired April 1, 2008, was specifically negotiated as a hiring incentive as part of his employment arrangement.

Stock-based awards granted under our 2006 plan generally vest between one and five years after the date of the grant. An exception was our accelerated vesting of Mr. Cox's restricted stock on April 4, 2008, described below.

All stock-based awards under our 2006 plan are made at the market price of our common stock at the time of the award. The Committee may grant awards of stock options or restricted stock awards to executives at any regularly scheduled or special meeting. The grant date of any stock option or restricted stock award is determined in accordance with FAS 123R, now Accounting Standards Codification Topic 718.

The following table sets forth awards granted under our 2006 plan in 2008:

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<b>Named Executive Officers</b>	<b>Shares</b>
Larry G. Rampey	50,000
Drake N. Smiley	45,000
G. Les Austin	100,000
John M. Longmire	
Vicky L. Lindsey	50,000
	245,000
Other Officers and Directors	265,000
Non-Officer Employees	594,800
<b>Total</b>	<b>1,104,800</b>

See Grants of Plan-based Awards in 2008 and Director Compensation for more information about award grants to our named executive officers and directors.

John Cox, a former senior vice president, secretary and treasurer, died on March 23, 2008. In recognition of his service to the Company, and because of his untimely death, he never had the opportunity to participate in an increase in our real equity value to which he contributed, our Compensation Committee accelerated the vesting of his restricted shares which remained unvested at the time of his death. As a result of this action, 95,336 shares of restricted stock vested effective April 4, 2008.

In November 2008, after considering the information provided by Pearl Meyer and reviewing Mr. Lee's recommendations, the Compensation Committee approved the grant of restricted stock awards to our employees for 1,092,000 shares of our common stock, with such awards to be effective January 1, 2009. The grants included awards of 609,000 shares to officers, and 483,000 shares to managers and other designated employees. The awards are subject to a four-year vesting schedule commencing January 1, 2010. The market price of our common stock on December 31, 2008, the first trading day preceding the grant date, was \$0.88 per share.

#### *Retirement and Other Benefits*

Our 401(k) Profit Sharing Plan is a tax-qualified retirement savings plan pursuant to which all employees, including the named executive officers, are able to contribute the lesser of up to 100% of their annual salary or the limit prescribed by the Internal Revenue Service to the plan on a before-tax basis. In 2006, we elected to match 100% of each employee's contribution to the plan. For 2007, 2008 and 2009, our Compensation Committee determined that we would make a safe harbor match of 100% of employee contributions up to 6% of the employee's salary. All contributions to the plan as well as any matching contributions are fully vested upon contribution.

#### *Perquisites and Other Personal Benefits*

We provide our executive officers with perquisites and other personal benefits that we believe are reasonable and consistent with our overall compensation program to better enable us to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to our executive officers. The perquisites provided to our named executive officers are set forth in footnotes 12 and 13 of the Summary Compensation Table below. Attributed costs of the personal benefits for the named executive officers for the fiscal year ended December 31, 2008 are included in column (i) and footnote 12 of the Summary Compensation Table below.

#### *Executive Employment Agreements and Arrangements*

*Larry E. Lee.* In connection with the consummation of our merger with RAM Energy in May 2006, we entered into an employment agreement with Larry E. Lee, under the terms of which Mr. Lee serves as our president and chief executive officer. The initial term of the employment agreement was three years. Pursuant to an

amendment to the employment agreement effective March 24, 2009, the term of the employment agreement was extended through April 30, 2011. The employment agreement, as amended, provides that Mr. Lee will receive an annual base salary of not less than \$500,000. In addition, we pay the annual premium on a term life insurance policy owned by Mr. Lee, the costs of his annual physical examinations, and certain country club dues and expenses. Mr. Lee also may be awarded a bonus for any fiscal year during the employment term, either pursuant to an incentive compensation plan maintained by us or as otherwise may be determined by our Board of Directors.

The employment agreement provides for certain payments in the event of Mr. Lee's termination. The termination payments are discussed below under the heading "Potential Payments Upon Termination or Change of Control."

The employment agreement contains certain restrictive covenants that prohibit Mr. Lee from disclosing information that is confidential to us and our subsidiaries and generally prohibits him, during the employment term and for one year thereafter, from soliciting or hiring our employees and those of our subsidiaries. The employment agreement does not contain any restrictive covenants that otherwise limit Mr. Lee's ability to compete with us and our subsidiaries following his employment.

On December 12, 2008, the Compensation Committee met to discuss and determine the amount, if any, of the bonus to be paid to Mr. Lee for job performance during 2008. Consideration was given to the Pearl Meyer report. The Committee noted that while compensation paid to chief executive officers of peer group companies should not be the determinative factor in fixing Mr. Lee's compensation, information concerning peer group compensation is useful for purposes of determining industry norms. Additional factors considered by the Committee concerning Mr. Lee's job performance during 2008 included the following:

we achieved significant increases over the prior year in production, Modified EBITDA and free cash flow;

we fully integrated the Ascent properties and personnel;

we successfully completed our planned and budgeted non-acquisition capital expenditure program for 2008, except during the 4<sup>th</sup> quarter where cutbacks were required due to the unprecedented drop in commodity prices;

we retired by payment in full our outstanding 11 1/2% Senior Notes issued in 1998;

we, exclusively through Mr. Lee's efforts, selected and hired Les Austin as our new senior vice president and chief financial officer, as successor to John Longmire upon Mr. Longmire's mid-year retirement;

we completed or made significant progress toward achieving all of the goals and objectives set by our Nominating and Corporate Governance Committee for the current year;

we received approximately \$86 million as a capital infusion upon exercise of our outstanding warrants;

we maintained compliance with all of the covenants under our senior secured credit facility, thereby preserving an enormously valuable asset as the economy worsens and credit markets become tighter;

we, solely through the efforts and foresight of Mr. Lee, put in place a hedging policy that will preserve cash flow for a significant portion of our future production through 2011 at prices well above current commodities futures prices; and

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Mr. Lee was the face of the Company once again during 2008, participating in seven (7) investor and industry conferences and taking the lead in all our earnings and investor conference calls.

The Committee noted the decline in the market price of our common stock during the last part of 2008. The Committee determined, consistent with published articles by experts in the field of executive compensation, that

an increase or decrease in stock price over a short period, such as one year, should not be the determinative factor in fixing executive compensation, for the reason that stock price does not necessarily reflect the increase or decrease in the intrinsic value of a company over a short period. The Committee determined that our intrinsic value increased considerably in 2008, primarily as a result of the transactions engineered by Mr. Lee, which increase is likely to be reflected in the stock price at some point in the future. Accordingly, stock price alone was not determinative of the granting of, or the amount of, a bonus for Mr. Lee's job performance during 2008.



The Committee recognized that Mr. Lee owned or had dispositive power with respect to more than 12.6 million shares of our common stock, or approximately 16% of our outstanding shares. The Committee concurred with the conclusion in the Pearl Meyer report that under such circumstances, long term equity grants would offer little incentive to Mr. Lee. Accordingly, the Committee determined that Mr. Lee's bonus for 2008 should be paid entirely in cash. The Committee determined that, while Mr. Lee's job performance during the current year would, under normal circumstances, qualify him to receive a substantial cash bonus, perhaps significantly in excess of the \$450,000 target bonus which for planning purposes had been accrued on our books over the current year, in light of the current economic situation, including the recent decline in commodity prices and the outlook for 2009, and the effect such would have on our stock price, and the range of bonuses the Committee approved for other officers of the Company, the Committee determined that it would not be appropriate to grant Mr. Lee a year-end bonus at the accrued target level. Accordingly, the Committee approved a cash bonus to Mr. Lee in the amount of \$400,000, which was paid in 2009. The bonus, when combined with his base salary, resulted in Mr. Lee's total direct compensation for 2008 being below the 50<sup>th</sup> percentile of peer group companies in the Pearl Meyer report.

*G. Les Austin.* Effective April 1, 2008, G. Les Austin became our senior vice president, chief financial officer, treasurer and secretary. Pursuant to a compensation arrangement, we paid Mr. Austin a base salary in 2008 of \$187,500, based on an annual base salary of \$250,000 per annum, and a cash bonus for 2008 of \$125,000, 40% of which was paid in 2008 and 60% of which was paid in 2009. Effective April 1, 2008, we granted Mr. Austin a restricted stock award of 100,000 shares of our common stock, which shall vest in four equal installments commencing on January 1, 2009, and in November 2008, we granted Mr. Austin an additional 100,000 restricted stock awards effective January 1, 2009, vesting in four equal installments commencing January 1, 2010. We also provide Mr. Austin (i) a term life insurance policy providing a death benefit of \$700,000 during the term of his employment, (ii) substantially the same perquisites provided to our other senior vice presidents, and (iii) certain protections against our change of control. These protections are described below under the heading Potential Payments Upon Termination or Change of Control.

#### *Tax and Accounting Implications*

The Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, which provides that we may not deduct compensation of more than \$1,000,000 paid to certain individuals in any taxable year. We believe compensation paid by us is generally fully deductible for federal income tax purposes. However, in certain situations, the Committee may approve compensation that will not meet these requirements in order to ensure competitive levels of total compensation for our executive officers. For fiscal 2008, all amounts paid to our named executive officers were deductible.

Beginning on January 1, 2006, we began accounting for stock-based payments including grants and awards under our 2006 plan in accordance with the requirements of FAS 123R, now Topic 718 of the Codification.

#### *Compensation Committee Report*

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

#### THE COMPENSATION COMMITTEE

John M. Reardon, Chairman  
Sean P. Lane  
Gerald R. Marshall

December 16, 2009

**Summary Compensation Table**

The table below summarizes the total compensation paid to or earned by each of the named executive officers for the fiscal year ended December 31, 2008. Substantially all of the compensation paid to our president and chief executive officer, Larry E. Lee, and our chief financial officer, G. Les Austin, result from the terms of their employment agreement or arrangement. We have not entered into any employment agreements with any of the other named executive officers.

Based on the fair value of equity awards granted to our named executive officers in 2008 and the base salary of the named executive officers, salary accounted for approximately 39% of the total compensation of the named executive officers, bonus incentive compensation accounted for approximately 27%, stock awards accounted for 29% and other compensation accounted for 5% of the total compensation of the named executive officers. The table below reflects compensation paid to Messrs. Lee, Longmire, Rampey and Smiley while executive officers of RAM Energy, Inc. prior to our acquisition of it on May 8, 2006, as well as amounts paid by us after the acquisition date.

(a)	(b)	(c)	(d)	(e)	(i)	(j)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock awards \$(11)	All other compensation \$(12)	Total (\$)
Larry E. Lee President and Principal Executive Officer	2008	\$ 495,833	\$ 400,000(1)	\$	\$ 85,580	\$ 981,413
	2007	450,000			88,784	1,138,784
	2006	450,000	600,000(1)		227,345	1,027,345
				350,000(1)		
G. Les Austin(2) Senior Vice President and Principal Financial Officer	2008	187,500	125,000(5)	488,000	21,831	822,331
John M. Longmire(3) Senior Vice President and Principal Financial Officer	2008	240,000			19,759	259,759
	2007	222,500	150,000(6)(7)	106,400	27,468	506,368
	2006	190,000		672,000	34,003	996,003
			100,000(8)(9)			
Larry G. Rampey Senior Vice President			165,000(5)			
	2008	288,333	165,000(6)(7)	251,000	25,560	729,893
	2007	262,500		418,000	27,512	873,012
	2006	212,500	100,000(8)(9)	672,000	36,977	1,021,497
Drake N. Smiley Senior Vice President			150,000(5)			
	2008	266,333	150,000(6)(7)	225,900	29,666	668,899
	2007	237,500		418,000	26,012	831,512
	2006	195,000	100,000(8)(9)	672,000	39,265	1,066,265
Vicky L. Lindsey(4) Vice President Accounting and Controller				231,850		
			276,000(10)		22,827	
	2008	160,000			464,361(13)	690,677
	2007	160,000				624,361
	2006	140,250	70,000(8)			210,250

(1) A bonus of \$400,000 was earned in 2008 and paid to Mr. Lee in 2009. A bonus of \$600,000 was earned in 2007 and paid to Mr. Lee in 2008, and \$200,000 of Mr. Lee's 2006 bonus was paid to Mr. Lee in 2007.

(2) Mr. Austin was hired effective April 1, 2008.

(3) Mr. Longmire resigned as principal financial officer effective April 1, 2008 and as senior vice president effective July 1, 2008 and is no longer an officer.

(4)

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Ms. Lindsey joined us in November 2007. All compensation paid to Ms. Lindsey in 2006 and for eleven (11) months in 2007 was paid by Ascent Energy Inc.

- (5) These amounts represent bonuses earned in 2008 and paid in 2009. Mr. Austin received 40% in 2008 and the remainder in 2009.

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- (6) These amounts represent bonuses earned in 2007 and paid in 2008.
- (7) While not earned in 2007, each of Messrs. Longmire, Rampey and Smiley received a bonus of \$25,000 in 2007 as the final payment of the bonuses awarded in 2005. The deferred bonus payments are not reflected on the bonus amounts in column (d).
- (8) These amounts represent bonuses earned in 2006 and paid in 2007.
- (9) While not earned in 2006, deferred bonuses of \$50,000 were paid in 2006 to each of Messrs. Longmire, Rampey and Smiley as a result of Deferred Bonus Compensation Plan awards granted by RAM Energy in 2004 and 2005. The deferred bonus payments are not reflected in the bonus amounts in column (d).
- (10) A retention bonus of \$220,000 was paid to Ms. Lindsey in July 2008 as part of the Ascent Energy Inc. acquisition. A performance bonus of \$56,000 was earned in 2008 and paid in 2009.
- (11) The amounts in column (e) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal years ended December 31, 2008, 2007 and 2006, in accordance with FAS 123R of restricted stock awards pursuant to our 2006 plan.
- (12) All other compensation consists of the elements summarized in the table below. The amounts reflect compensation in 2008, each as calculated in accordance with Internal Revenue Service guidelines included as compensation on the IRS Form W-2 of the named executive officers who receive such benefits. Income taxes on certain amounts are also reimbursed by us and included on applicable officer's W-2. For our president and chief executive officer, in accordance with his employment agreement, includes an annual premium of \$19,850 for a \$5.0 million life insurance policy.

Name	401(k) Match	Executive Life Policy	Personal Use of Company Vehicles or Allowance	Country Club Dues	Other	Total
Larry E. Lee	20,500					