

ABRAXAS PETROLEUM CORP  
Form PRER14A  
April 05, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Amendment No. 1)

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.
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1. Title of each class of securities to which transaction applies:
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3. Filing Party:
4. Date Filed:

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ABRAXAS PETROLEUM CORPORATION  
18803 Meisner Drive  
San Antonio, Texas 78258  
(210) 490-4788

April \_\_, 2013

Dear Stockholders:

You are invited to attend the 2013 Annual Meeting of Stockholders of Abraxas Petroleum Corporation to be held on May 14, 2013, 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 FOR your Board of Directors' recommended nominees 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 & Co., LLC toll free at (888) 836-9724.

Thank you for your continued support of Abraxas Petroleum Corporation.

Robert L.G. Watson

Chairman of the Board, President,  
and Chief Executive Officer

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ABRAXAS PETROLEUM CORPORATION  
18803 Meisner Drive  
San Antonio, Texas 78258

(210) 490-4788

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 14, 2013

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 14, 2013, 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:

- Harold D. Carter
- Jerry J. Langdon
- Brian L. Melton
- Edward P. Russell

(2) To ratify the appointment of BDO USA, LLP as Abraxas’ independent registered public accounting firm for the year ending December 31, 2013;

(3) To approve, by advisory vote, a resolution on executive compensation; and

(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.

Your Board recommends that you vote FOR Proposals 1, 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 22, 2013 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 22, 2013, 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 10 days prior to the Annual Meeting. If you would like to review the stockholder list, please call our Investor Relations department at (210) 490-4788 to schedule an appointment.

All stockholders are cordially invited to attend the Annual Meeting. If you have any questions about the attached proxy or require assistance in voting your shares on the proxy card or voting instruction form, or need additional copies of the Company's proxy materials, please contact the firm assisting us in the solicitation of proxies, Morrow & Co., LLC, toll free at (888) 836-9724.

By Order of the Board of Directors,

Stephen T. Wendel  
SECRETARY

San Antonio, Texas  
April \_\_, 2013

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of  
Stockholders to be held May 14, 2013

This proxy statement and our 2012 Annual Report on Form 10-K are  
available at [www.abraxaspetroleum.com](http://www.abraxaspetroleum.com), 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:

Morrow & Co., LLC

470 West Avenue  
Stamford, Connecticut 06902  
(203) 658-9400 (Call Collect)  
or  
Call Toll-Free (888) 836-9724

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ABRAXAS PETROLEUM CORPORATION

18803 Meisner Drive  
San Antonio, Texas 78258  
(210) 490-4788

PROXY STATEMENT

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The Board of Directors of Abraxas Petroleum Corporation (“Abraxas” or the “Company”) is soliciting proxies to vote shares of common stock at the 2013 Annual Meeting of Stockholders to be held at 9:00 a.m., local time, on May 14, 2013, at Abraxas Petroleum Corporation located at 18803 Meisner Drive, San Antonio, Texas 78258, and at any adjournment thereof. This proxy statement and the accompanying proxy are first being mailed to stockholders on or about April \_\_, 2013. For ten days prior to the Annual Meeting, a complete list of stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder for any purpose relevant to the Annual Meeting during regular business hours at Abraxas’ executive offices, located at the address set forth above. If you would like to review the stockholder list, please call our Investor Relations department at (210) 490-4788 to schedule an appointment.

Record Date; Shares Entitled To Vote; Quorum

The Board of Directors has fixed the close of business on March 22, 2013 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 92,733,448 shares of Abraxas common stock outstanding, which were held by approximately 1,148 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 Proposal 1, the election of directors, and Proposal 3, the advisory vote on executive compensation. 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 2, 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. In an uncontested election of directors, to be elected, a director nominee must receive affirmative votes representing a majority of the votes cast by the holders of shares present in person or represented by proxy at our Annual Meeting (a "majority vote").

A majority of votes cast means that the number of votes cast "for" a director's election exceeds the number of votes cast "against" that director's election. Under a majority voting standard, abstentions and broker non-votes are not counted as votes "for" or "against" a director nominee and 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.



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).

The Board 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 in voting power of the Company's shares present in person or represented by proxy at the Annual Meeting 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, 2013 on the proxy card.

**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 in voting power of the Company's shares 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.

The Board of Directors recommends a vote "FOR" the approval of the compensation of our named executive officers on the proxy card.

#### 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.proxypush.com/abraxas](http://www.proxypush.com/abraxas) and following the instructions for Internet voting shown on the enclosed proxy card.
- Vote by Telephone, by dialing (866) 390-5384 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 13, 2013.



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” each of the other proposals. 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.

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

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

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

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

- submitting a new proxy card bearing a later date;
- voting again by telephone or the internet at a later time;
- giving written notice before the meeting to our Secretary at the address set forth on the cover of this Proxy Statement stating that you are revoking your proxy; or
- attending the meeting and voting your shares in person.

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

Deadline for Voting by Proxy

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

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### 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 or 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 & Co., LLC to assist in the solicitation of proxies at a fee estimated not to exceed \$50,000. In addition, we have agreed to reimburse Morrow & Co., 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.

If you have any questions about voting your shares or attending the Annual Meeting, please contact our proxy solicitor, Morrow & Co., LLC, toll free at (888) 836-9724.

### Important Information Regarding Delivery of Proxy Material

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

- the full set delivery option; or
- the notice only option.

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

### Full Set Delivery Option

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

In connection with its 2013 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.abraxaspetroleum.com/proxy](http://www.abraxaspetroleum.com/proxy).

### Notice Only Option

Under the notice only option, which we have elected NOT to use for the 2013 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:

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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 2013 Annual Meeting of Stockholders, it may choose to use the notice only option in the future. By reducing the amount of materials that a company needs to print and mail, the notice only option provides an opportunity for cost savings as well as conservation of paper products. Many companies that have used the notice only option have also experienced a lower participation rate resulting in fewer stockholders voting at the Annual Meeting. Abraxas plans to evaluate the future possible cost savings as well as the possible impact on stockholder participation as it considers future use of the notice only option.

#### Householding

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

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, if you are a stockholder of record; or
  - notify your broker, if you hold your shares in street name.

## BACKGROUND TO POTENTIAL CONTESTED SOLICITATION

On November 27, 2012, Gregory Taxin and Robert Wenzel of the Clinton Group sent, and publicly disclosed, a letter to the Board of Directors of Abraxas Petroleum Corporation. In the letter, the Clinton Group stated its belief that the Company was undervalued in the stock market, given its assets and the opportunity to exploit those assets to generate meaningfully more cash flow and profit.

On December 3, 2012, Geoffrey R. King, our Vice President and Chief Financial Officer, met with Mr. Taxin, Mr. Wenzel, Paul Wesoly and North Lennox at the Clinton Group's offices in New York. Mr. King discussed the Clinton Group's letter with Mr. Taxin and the Clinton representatives and referred to the Company's presentation made in September 2012 at the Independent Petroleum Association of America's ("IPAA") Oil and Gas Symposium in San Francisco and the presentation given on December 3, 2012 at the Dahlman Rose Energy Conference ("Dahlman Rose") in New York. Copies of the IPAA and Dahlman Rose presentations were filed in our Current Reports on Form 8-K filed with the SEC on September 24, 2012 and November 30, 2012, respectively, and are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

Subsequent to this meeting on December 20, 2012, Mr. Watson had a telephone conversation with Mr. Taxin during which Mr. Taxin reiterated the Clinton Group's position stated in the November 27 letter.

There was no further communication between the Company and the Clinton Group until February 7, 2013 at which time the Clinton Group informed the Company that it had been interviewing "qualified" board candidates and requested that the Company send the necessary documents to allow the Clinton Group to nominate "qualified" candidates to the Board. The Company promptly complied. Mr. Taxin and Mr. Wenzel telephoned Mr. Watson on February 11, 2013 to discuss their intentions to nominate board members. Mr. Watson informed the Clinton Group representatives that this was a board decision.

On March 4, 2013, the Company received a letter from the Clinton Group informing the Company of the Clinton Group's intention to nominate three directors: Katherine T. Richard, William H. Armstrong, III and James W. McFarland. On March 12, 2013, Messrs. Watson and King received an e-mail from Mr. Taxin in which Mr. Taxin stated that the Clinton Group was beginning work on its proxy materials but before spending "a lot of money on lawyers" that he wanted to have a conversation with Mr. Watson to see if there was common ground. On March 13, 2013, Mr. Taxin, George E. Hall, President, Chief Executive Officer and Chief Investment Officer of the Clinton Group, and Mr. Wenzel called Messrs. Watson and King. Mr. Watson informed Mr. Taxin that the Abraxas Board would be meeting on March 13 and 14 and that management would be recommending to the Board that the head of the Nominating and Corporate Governance Committee, Dennis Logue, interview each of the Clinton Group candidates. Mr. Taxin noted that the Clinton Group had talked to a number of very qualified candidates who did not want to get involved in a public proxy fight, but who might be available if the Company could reach some agreement. Mr. Hall then asked if Abraxas could replace "some" of the Company's members with "some" of the Clinton Group's candidates. Mr. Taxin then followed with some detail as to how new directors on the Board might give the public assurance that the Company was proceeding with its business plan as expeditiously as possible. Importantly, Mr. Taxin stated that he did not have any issues with Abraxas' business plan going forward other than it was not proceeding as quickly as the Clinton Group would hope. He also stated that he had been in touch with a number of the Company's stockholders, and although he could not solicit proxies, he felt comfortable that he would prevail in a proxy contest. He claimed his only interest was seeing a higher share price and was comfortable with the Company's long term value.

The Nominating and Corporate Governance Committee of the Board of Directors, consisting of Messrs. Logue, Cox and Powell, interviewed each of the Clinton Group's candidates on March 18, 2013. Messrs. Bartlett, and Karrash also participated. Messrs. Carter, Melton and Russell, our nominees to the Board, along with our Chairman, Mr. Watson,



did not participate on the call. In addition, at Mr. Hall's request, Mr. Watson interviewed one of the candidates on March 20, 2013. The committee carefully considered each of the director candidates proposed by the Clinton Group together with the three director nominees named herein. On March 20, 2013, the Nominating and Corporate Governance Committee unanimously determined that it was in the best interest of the Company and its stockholders to nominate the three director nominees named herein and not to nominate any of the candidates proposed by the Clinton Group. The Board unanimously accepted the recommendations of the Nominating and Corporate Governance Committee. Messrs. Carter, Melton and Russell did not participate in this vote.

On March 29, 2013, we entered into an agreement (the “Settlement Agreement”) with the Clinton Group, Inc. and certain of its affiliates and associates (collectively, the “Clinton Group”) to settle a potential proxy contest pertaining to the election of directors to Abraxas’ Board of Directors at the Annual Meeting. Pursuant to the Settlement Agreement:

- Abraxas increased the size of the Board to ten members, effective immediately prior to the 2013 Annual Meeting. Upon the recommendation of the Nominating and Governance Committee of the Board of Directors and the unanimous approval of the Board of Directors, Abraxas nominated Jerry J. Langdon as a Class III director of Abraxas for election at the 2013 Annual Meeting for a term of office expiring at the 2016 annual meeting of the stockholders of Abraxas and the Clinton Group approved Mr. Langdon’s nomination; and
- Abraxas agreed to appoint Katherine T. Richard to fill a vacancy resulting from the retirement of C. Scott Bartlett, Jr. as a director for a term of office expiring at the 2014 annual meeting of the stockholders of Abraxas. Mr. Bartlett’s retirement will be effective immediately following the Annual Meeting. Ms. Richard was one of the three nominees of the Clinton Group.

If Mr. Langdon or Ms. Richard (or any successor designated by the Clinton Group) should be rendered unable to serve on the Board by reason of death or disability or resign from the Board, the Clinton Group is entitled to designate a replacement for such director, subject to Abraxas’ consent. If the Clinton Group’s aggregate beneficial ownership of Abraxas Common Stock decreases to less than 2.0% of the Common Stock outstanding at any time or the Clinton Group receives notice from Abraxas of a material breach by the Clinton Group of any obligation under the Settlement Agreement and such material breach has not been cured within 14 days after the Clinton Group’s receipt of such notice, then the Clinton Group will not be able to designate a replacement for Mr. Langdon or Ms. Richard.

The Clinton Group has agreed to cause all shares of Abraxas Common Stock beneficially owned by them to be present and voted for all of the directors nominated by the Board for election at the Annual Meeting, withdrew its nomination of three candidates for election as directors of Abraxas at the Annual Meeting and agreed to immediately cease all efforts related to their own proxy solicitation. The Clinton Group and Abraxas also agreed to a mutual release of claims in connection with, relating to or resulting from the Clinton Group’s efforts to replace certain members of the Board.

The foregoing is not a complete description of the terms of the Settlement Agreement. For a further description of the terms of the Settlement Agreement, including a copy of the Settlement Agreement, please see our Current Report on Form 8-K that we filed with the SEC on April 4, 2013.

#### 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, four Class III directors are to be elected for a term of three years to hold office until the expiration of their term in 2016, or until a successor has been elected and duly qualified. The nominees for Class III director are Harold D. Carter, Jerry J. Langdon, Brian L. Melton and Edward P. Russell. Messrs. Carter, Melton and Russell are currently directors. Mr. Langdon was nominated by Abraxas and approved by the Clinton Group pursuant to the terms of the Settlement Agreement. In connection with the Settlement Agreement, C. Scott Bartlett, Jr., a director of Abraxas since 1999, notified Abraxas that he would retire from the Board, effective immediately following the Annual Meeting. Under the terms of the Settlement Agreement, Katherine T. Richard, one of the Clinton Group’s nominees, will fill the vacancy created by Mr. Bartlett’s retirement.



Each of the director nominees named in this proxy statement has agreed to serve as a director if elected, and we have no reason to believe that any nominee will be unable to serve. In the event that before the annual meeting one or more nominees named in this proxy statement should become unable or unwilling to serve, the persons named in the enclosed proxy will vote the shares represented by any proxy received by our Board of Directors for such other person or persons as may thereafter be nominated for director by the Nominating and Corporate Governance Committee and our Board of Directors.

Assuming the presence of a quorum, the nominees for director who receive the most votes will be elected. The enclosed proxy card provides a means for stockholders to vote for or to withhold authority to vote for the nominees for director. If a stockholder executes and returns a proxy, but does not specify how the shares represented by such stockholder's proxy are to be voted, such shares will be voted FOR the election of the nominees for director. In determining whether this item has received the required number of affirmative votes, abstentions will have no effect. Non-votes are not considered votes cast "for" or "against" this proposal at the Annual Meeting and will have no effect on the approval to elect 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 2015, the term of the Class II directors expires in 2014 and the term of the Class III directors expires in 2013.

Name and Municipality of Residence	Age	Office	Class
Robert L.G. Watson San Antonio, Texas	62	Chairman of the Board, President and Chief Executive Officer	I
Harold D. Carter Dallas, Texas	74	Director	III
Ralph F. Cox Fort Worth, Texas	80	Director	II
W. Dean Karrash North Wales, Pennsylvania	51	Director	I
Jerry J. Langdon (1) Houston, Texas	60	Director	III
Dennis E. Logue Enfield, New Hampshire	69	Director	II
Brian L. Melton Overland Park, Kansas	43	Director	III
Paul A. Powell, Jr. Roanoke, Virginia	67	Director	I
Katherine T. Richard (2) Oklahoma City, Oklahoma	30	Director	II
Edward P. Russell Stilwell, Kansas	49	Director	III

( Pursuant to the terms of the Settlement Agreement, Mr. Langdon has been nominated by our Board of Directors as 1) a Class III director of Abraxas for election at the Annual Meeting for a term of office expiring at the 2016 annual meeting of the stockholders of Abraxas and the Clinton Group has approved Mr. Langdon's nomination.

- (2) Pursuant to the terms of the Settlement Agreement, Ms. Richard was designated by the Clinton Group to fill a vacancy resulting from the retirement of C. Scott Bartlett, Jr. as a director for a term of office expiring at the 2014 annual meeting of the stockholders of Abraxas. Mr. Bartlett's retirement will be effective immediately following the Annual Meeting.

## Director Nominees

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

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

Jerry J. Langdon currently works as a private investor. Most recently, Mr. Langdon was Chief Administrative and Compliance Officer of Energy Transfer Partners ("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 Regan and served in that capacity until 1993. 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 Communications from the University of Texas.

We believe Mr. Langdon's extensive experience in the energy industry will make him a valuable addition to our Board.

Brian L. Melton, a director of Abraxas since October 2009, has served as Vice President of Business Development / Corporate Strategy of Inergy, L.P. (NYSE:NRGY), a publicly-traded master limited partnership that specializing 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 and Marcellus / Utica areas, since September 2008. Prior to joining Inergy, 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 previously served as a director of Abraxas General Partner, LLC, the general partner of Abraxas Energy Partners, L.P. 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 his financial experience is beneficial to our audit committee.

Edward P. Russell, a director of Abraxas since October 2009, has served as a Director of Tortoise Capital Resources Corp., 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 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.

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

#### Directors with Terms Expiring in 2014 and 2015

Robert L.G. Watson, has served as Chairman of the Board, President, Chief Executive Officer and a director of Abraxas since 1977. From January 2003 to July 2009, Mr. Watson served as Chairman of the Board, Chief Executive Officer and director of Grey Wolf Exploration Inc., which we refer to as Grey Wolf, an oil and gas exploration and production company, and which was, until February 2005, a wholly-owned subsidiary of Abraxas. From May 1996 to January 2003, Mr. Watson served as President, Chairman of the Board and a director of Grey Wolf Exploration, Inc., a former wholly-owned subsidiary of Abraxas, which we refer to as Old Grey Wolf, the capital stock of which was sold by Abraxas in January 2003. From November 1996 to January 2003, Mr. Watson was Chairman of the Board, President and a director of Canadian Abraxas Petroleum Limited, which we refer to as Canadian Abraxas, a former wholly-owned Canadian subsidiary of Abraxas, the capital stock of which was sold by Abraxas in January 2003. Prior to forming Abraxas, Mr. Watson held petroleum engineering positions with Tesoro Petroleum Corporation and DeGolyer and MacNaughton. Mr. Watson received a Bachelor of Science degree in Mechanical Engineering from Southern Methodist University in 1972 and a Master of Business Administration degree from the University of Texas at San Antonio in 1974.

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

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



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

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 serves as Executive Vice 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 twenty five 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 (formally Coopers & Lybrand). Mr. Karrash is currently a member of FINRA's Financial and Operations Committee and a past member of the Small Firm Advisory Board and District 9 Business Conduct Committee. Mr. Karrash is a Certified Public Accountant, Certified Financial Planner and is registered with FINRA and holds Series 7, 24, 27, 53 and 65 licenses. Mr. Karrash received a Bachelor of Science degree in Accounting from Pennsylvania State University and a Master of Business Administration degree from Temple University's Executive MBA program.

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

Dennis E. Logue, a director of Abraxas since April 2003, has served as Chairman of the Board of Directors of Ledyard Financial Group, the holding company for Ledyard National Bank, since 2005. Mr. Logue served as Dean and Fred E. Brown Chair at the Michael F. Price College of Business at the University of Oklahoma from 2001 through 2005. Prior to joining Price College, Mr. Logue was the Steven Roth Professor at the Amos Tuck School at Dartmouth College where he had been since 1974. Mr. Logue has served as a director of Waddell & Reed Financial, Inc., a publicly-traded, national financial services organization, since 2002 and ALCO Stores, Inc., a publicly-traded, general merchandise retailer serving smaller, hometown communities, since 2005. Mr. Logue also serves on the board of Hypertherm, a privately-owned company specializing in plasma cutting tools and technology, and as a Trustee for Crossroads Academy. 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.

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

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

Katherine Taaffe Richard, is the Founder and current Chief Executive Officer of Warwick Energy Group, an oil and gas company focused on conventional and unconventional development and exploration in the United States, Europe and the Middle East. Ms. Richard has been employed by Warwick Energy Group since March 2010. Since March 2009, Ms. Richard has been employed by or consulted to MSDC Management, L.P. or MSD Capital, L.P., where she focuses on international energy investments. Prior to joining MSDC Management, Ms. Richard was employed by

Serengeti Asset Management, where she led the team responsible for oil and gas, metals and mining and sovereign debt investing. Prior to Serengeti, Ms. Richard held several posts at Goldman, Sachs & Co., including as an investment banker to exploration and production companies in the oil and gas industries. Ms. Richard is a

Natural Resources Advisor to the Institute for Effective States and an Advisory Council member of Microvest Capital Funds, a private microfinance investment firm with investments in more than 50 microfinance institutions in 25 countries. At the World Economic Forum's 2013 Davos session, Ms. Richard was selected to represent the United States as one of the World Economic Forum's Young Global Leaders for the 2013-14 year. Ms. Richard received her undergraduate degree in History from Harvard College.

We believe Ms. Richard's experience in the financial and energy industry and her knowledge and intellect will add a new perspective to our Board.

#### Directors Emeritus

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

C. Scott Bartlett, Jr., will become a director emeritus effective immediately following the Annual Meeting. Mr. Bartlett has served as a director of Abraxas since 1999 and has over 50 years of commercial banking experience, the most recent being with National Westminster Bank USA (prior to being acquired by Bank of America), ultimately serving as Executive Vice President, Senior Lending Officer and Chairman of the Credit Policy Committee. Mr. Bartlett previously served as a director of NVR, Inc., a publicly-traded, nationwide home builder, from 1993 to 2009, and where he also served on the audit committee for 15 years. Mr. Bartlett attended Princeton University, and has a certificate in Advanced Management from Pennsylvania State University.

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

#### Composition of the Board of Directors

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

The Nominating and Corporate Governance Committee believes that the Board of Directors should be composed of directors with experience in areas relevant to the strategy and operations of the Company, particularly in the oil and

gas industry and complex business and financial dealings. Each of the nominees for election as a director at the Annual Meeting and each of the Company's current directors holds or has held senior executive positions in either the oil and gas industry or in the financial / banking community. In these positions, we believe that each nominee and current director has gained experience in core management skills, such as strategic and financial planning, public company financial reporting, corporate governance, risk management, and leadership development. Many of our directors also have experience serving on boards and board committees of other public companies, as well as charitable organizations and private companies. The Nominating and Corporate Governance Committee also believes that each nominee and current director has other key attributes that are important to an effective board: integrity

and demonstrated high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; diversity of background, experience and thought; and the commitment to devote significant time and energy to service on the Board and its Committees. With respect to each of our current directors and director nominees, their biographies beginning on pages 13 through 16 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. Messrs. Carter, Cox and Langdon have strong backgrounds in the oil and gas industry and Messrs. Karrash, Logue and Powell have strong backgrounds in the financial / banking community. Messrs. Melton and Russell and Ms. Richard have strong backgrounds in both the oil and gas industry and the financial / banking community.

#### Meeting Attendance

During the fiscal year ended December 31, 2012, the Board of Directors held five meetings, the Audit Committee held four meetings, the Compensation Committee held two meetings and the Nominating and Corporate Governance Committee held one meeting. During 2012, 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 their service to Abraxas for their 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’ 2012 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 2012, the Audit Committee consisted of Messrs. Bartlett (Chairman), Karrash, Melton and Powell. Following the effectiveness of Mr. Bartlett’s retirement immediately following the Annual Meeting, Messrs. Melton (Chairman), Karrash, and Powell will be the members of the Audit Committee. 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 47, 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, attend each meeting of the Audit Committee. In addition, the representatives from BDO USA, LLP and the Audit Committee meet in executive session at each meeting.

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, 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 25, 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 but has not, in the past, utilized the services of a third party consultant to review the policies and procedures with respect to executive compensation. The Compensation Committee may engage a third party to provide such services in the future, as it deems necessary or appropriate at the time in question. For more information on the Compensation Committee's processes and procedures, please see "Executive Compensation – Compensation Discussion and 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 or future 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., Katherine T. Richard 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 Board functioning and communication.

### Board Leadership Structure

The Board of Directors believes that the Chief Executive Officer is best situated to serve as Chairman because he is the director most familiar with Abraxas' business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. The Board believes this provides an efficient and effective leadership model for Abraxas. 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 2012. No member of the Compensation Committee was at any time during 2012 or at any other time an officer or employee of Abraxas, and no member had any relationship with Abraxas requiring disclosure as a related-party transaction in the section "Certain Relationships and Related Transactions" of this proxy statement. No executive officer of Abraxas has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of the Board of Directors or the Compensation Committee during 2012.

#### Code of Ethics

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

#### Stockholder Communications with the Board

The Board of Directors has implemented a process by which stockholders may communicate with the Board of Directors. Any stockholder desiring to communicate with the Board of Directors may do so in writing by sending a letter addressed to the Board of Directors, c/o Corporate Secretary. The Corporate Secretary has been instructed by the Board to promptly forward any communications received to the members of the Board.

#### Nominations

The Nominating and Corporate Governance Committee is responsible for determining the slate of director nominees for election by stockholders, which the committee recommends for consideration by the Board. All director nominees are approved by the Board prior to annual proxy material preparation and are required to stand for election by stockholders at the next annual meeting. For positions on the Board created by a director's leaving the Board prior to the expiration of his current term, whether due to death, resignation, or other inability to serve, Article III of the Company's Amended and Restated Bylaws provides that a director elected by the Board to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

The Nominating and Corporate Governance Committee does not currently utilize the services of any third party search firm to assist in the identification or evaluation of Board member candidates. The Nominating and Corporate

Governance Committee may engage a third party to provide such services in the future, as it deems necessary or appropriate at the time in question.

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

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

The Nominating and Corporate Governance Committee will consider qualified candidates for possible nomination that are recommended by stockholders. Stockholders wishing to make such a recommendation may do so by sending the required information to the Nominating and Corporate Governance Committee, c/o Corporate Secretary at the address listed above. Any such nomination must comply with the advance notice provisions and provide all of the information required by Abraxas' Amended and Restated Bylaws. These provisions and required information are summarized under "Stockholder Proposals for 2014 Abraxas Annual Meeting" beginning on page 50 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.

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 22, 2013, 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 (1)	Percentage (%)
Robert L.G. Watson	1,918,374 (2)	2.0%
Geoffrey R. King	55,000 (3)*	
Lee T. Billingsley	498,989 (4)*	
William H. Wallace	406,744 (5)*	
Stephen T. Wendel	510,113 (6)*	
G. William Krog, Jr.	123,236 (7)*	
Peter A. Bommer	163,491 (8)*	
C. Scott Bartlett, Jr.	184,373 (9)*	
Franklin A. Burke	5,248,801 (10)	5.6%
Harold D. Carter	274,624 (11)*	
Ralph F. Cox	544,449 (12)*	
W. Dean Karrash	32,050 (13)*	
Dennis E. Logue	216,148 (14)*	
Brian L. Melton	114,000 (15)*	
Paul A. Powell, Jr.	266,828 (16)*	
Edward P. Russell	97,014 (17)*	
NorthPointe Capital, LLC	7,556,608 (18)	8.1%
Lehman Brothers MLP Opportunity Fund	5,451,426 (19)	5.9%
The Vanguard Group	5,150,986 (20)	5.4%
BlackRock Inc.	5,053,257 (21)	5.4%
All Officers and Directors as a Group (17 persons)	10,654,234	11.5%

\* Less than 1%

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

(2) Includes 90,000 shares issuable upon exercise of vested options granted pursuant to the Abraxas Petroleum Corporation 1994 Long Term Incentive Plan (the "1994 LTIP"), 569,937 shares issuable upon exercise of vested options granted pursuant to the Abraxas Petroleum Corporation 2005 Employee Long-Term Equity Incentive Plan (the "2005 Employee Plan") and 39,797 shares in a retirement account.

(3)

Includes 50,000 restricted shares awarded to Mr. King on the commencement of his employment in September 2012.

- (4) Includes 229,571 shares issuable upon exercise of vested options granted pursuant to the 2005 Employee Plan and 35,200 shares in a retirement account.
- (5) Includes 15,000 shares issuable upon exercise of vested options granted pursuant to the 1994 LTIP, 231,948 shares issuable upon exercise of vested options granted pursuant to the 2005 Employee Plan and 14,667 shares in a retirement account.
- (6) Includes 228,133 shares issuable upon exercise of vested options granted pursuant to the 2005 Employee Plan and 102,098 shares in a retirement account.
- (7) Includes 2,500 shares issuable upon exercise of vested options granted pursuant to the 1994 LTIP, 85,811 shares issuable upon exercise of vested options granted pursuant to the 2005 Employee Plan and 8,986 shares in a retirement account.
- (8) Includes 77,050 shares issuable upon exercise of vested options granted pursuant to the 2005 Employee Plan and 17,116 shares in a retirement account.

- (9) Includes 86,793 shares issuable upon exercise of vested options granted pursuant to the Abraxas Petroleum Corporation 2005 Non-Employee Director Long-Term Equity Incentive Plan (the “2005 Directors Plan”) and 26,000 shares in a retirement account.
- (10) Includes 45,000 shares issuable upon exercise of certain option agreements, 120,000 shares issuable upon exercise of vested options granted pursuant to the 2005 Directors Plan, 191,330 shares in a retirement account, 2,488,195 shares owned by Venture Securities Corporation Profit Sharing Trust Plan (voluntary), Venture Securities Corporation Profit Sharing Plan Trust (designated) and Venture Securities Corporation Pension Plan Trust over which Mr. Burke has shared discretion to dispose of, direct the disposition of, vote, and direct the voting of such shares for the benefit of the beneficiary of the trust, 16,500 shares in various trust and guardianship accounts, of which Mr. Burke is a trustee or guardian, 24,222 shares in the Pleasantville Church Foundation, of which Mr. Burke is a director, and 1,405,279 shares managed by BLB&B Advisors, LLC, of which Mr. Burke is the sole owner, on behalf of third parties. Mr. Burke does not have any voting rights with regard to the shares managed by BLB&B Advisors, LLC.
- (11) Includes 132,500 shares issuable upon exercise of vested options granted pursuant to the 2005 Directors Plan, 7,577 shares in a family trust and 40,598 shares in a retirement account.
- (12) Includes 132,500 shares issuable upon exercise of vested options granted pursuant to the 2005 Directors Plan.
- (13) Includes 12,000 shares issuable upon exercise of vested options granted pursuant to the 2005 Directors Plan.
- (14) Includes 132,500 shares issuable upon exercise of vested options granted pursuant to the 2005 Directors Plan.
- (15) Includes 88,750 shares issuable upon exercise of vested options granted pursuant to the 2005 Directors Plan.
- (16) Includes 45,000 shares issuable upon exercise of certain option agreements, 132,500 shares issuable upon exercise of vested options granted pursuant to the 2005 Directors Plan and 27,277 shares in various entities managed by Mr. Powell.
- (17) Includes 88,750 shares issuable upon exercise of vested options granted pursuant to the 2005 Directors Plan.
- (18) NorthPointe Capital, LLC has sole dispositive powers over 7,556,608 shares and sole voting power over 5,210,034 shares. The members of NorthPointe, LLC disclaim beneficial ownership to all such shares. The address of NorthPointe Capital, LLC is 101 W. Big Beaver, Suite 745, Troy, Michigan 48084.
- (19) The Board of Directors of Lehman Brothers Holding Inc., whose members may change from time to time, has voting and investment control over the shares held by Lehman Brothers MLP Opportunity Fund L.P. The members of the Board of Directors of Lehman Brothers Holdings Inc. disclaim beneficial ownership to all such shares. The address of Lehman Brothers MLP Opportunity Fund L.P. is 1271 Avenue of the Americas, 38th Floor, New York, NY 10020. Lehman Brothers MLP Opportunity Fund L.P.’s general partner is an indirect wholly-owned subsidiary of Lehman Brothers Holdings Inc.
- (20) The Vanguard Group has sole dispositive powers over 5,048,725 shares, shared dispositive powers over 102,261 shares and sole voting power over 103,961 shares. The members of The Vanguard Group disclaim beneficial ownership to all such shares. The address of The Vanguard Group is 100 Vanguard Blvd, Malvern, PA 19355.
- (21) BlackRock Inc. has sole dispositive powers over 5,053,257 shares and sole voting power over 5,053,257 shares. The members of BlackRock Inc. disclaim beneficial ownership to all such shares. The address of BlackRock Inc. is 40 East 52nd Street, New York, NY 10022.

## Equity Compensation Plan Information

The following table gives aggregate information regarding grants under all of Abraxas' equity compensation plans through December 31, 2012.

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	2,902,467	\$ 2.76	4,456,851
Equity compensation plans not approved by security holders	90,000	\$ 2.64	—



## 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 2012, 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.

## 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	62	Chairman of the Board, President and Chief Executive Officer
Geoffrey R. King San Antonio, Texas	32	Vice President – Chief Financial Officer
Lee T. Billingsley San Antonio, Texas	60	Vice President – Exploration
Peter A. Bommer San Antonio, Texas	56	Vice President – Engineering
William H. Wallace Blanco, Texas	55	Vice President – Operations
Stephen T. Wendel San Antonio, Texas	63	Vice President – Land & Marketing and Secretary
G. William Krog, Jr. San Antonio, Texas	59	Chief Accounting Officer

Robert L.G. Watson has served as Chairman of the Board, President, Chief Executive Officer and a director of Abraxas since 1977. See page 15 for more information.

Geoffrey R. King has served as Vice President – Chief Financial Officer since September 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 a Senior Analyst in the Global Power and Energy Group at Merrill Lynch and served in various roles at Petrie Parkman. Mr. King is a CFA Charterholder and holds Series 7, 63, 86 and 87 licenses. Mr. King holds a B.A. in Economics and History from Davidson College.

Lee T. Billingsley has served as Vice President – Exploration since 1998. Dr. Billingsley founded Sandia Oil & Gas Corp. in 1983 and served as its President until Sandia merged into Abraxas in 1998. Prior to forming Sandia, Dr. Billingsley worked for Tenneco Oil Company and American Quasar Petroleum. Dr. Billingsley served as President of the American Association of Petroleum Geologists (AAPG) for the 2006-2007 term. Dr. Billingsley holds three degrees in Geology, Bachelor of Science and Doctorate from Texas A&M University and Master of Science from

Colorado School of Mines.

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.

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

Stephen T. Wendel has served as Vice President - Land and Marketing since 1990 and as Corporate Secretary since 1988. Mr. Wendel served as Abraxas' Manager of Joint Interests and Natural Gas Contracts from 1982 to 1990. Prior to joining Abraxas, Mr. Wendel held accounting, auditing and marketing positions with Tenneco Oil Company and Tesoro Petroleum Corporation. Mr. Wendel also serves as a director of the Corporation Board and the Development Board of Texas Lutheran University. Mr. Wendel received a Bachelor of Business Administration degree in Accounting from Texas Lutheran University in 1971.

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

## 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 we have selected for comparative purposes and to align the interests of our executive officers with the interests of our stockholders.

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, to whom we refer to as the named executive officers. 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 r