

ABRAXAS PETROLEUM CORP  
Form PRER14A  
April 09, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Amendment No. 2)

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

ABRAXAS PETROLEUM CORPORATION  
(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

Schedule and the date of its filing.

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

9120223v.2

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

---

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 four 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.

Edgar Filing: ABRAXAS PETROLEUM CORP - Form PRER14A

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

---

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

---

ABRAXAS PETROLEUM CORPORATION

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

PROXY STATEMENT

---

The Board of Directors of Abraxas Petroleum Corporation (“Abraxas” or the “Company”) is soliciting proxies to vote shares of common stock at the 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.

7

---

## 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:

- 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.

Further, the members of the Clinton Group have agreed to observe normal and customary standstill provisions during the period beginning on the date of the Settlement Agreement until the earlier of (i) 14 days after Abraxas receives notice from the Clinton Group of a material breach by Abraxas of any obligation under the Settlement Agreement which has not been cured; and (ii) the business day immediately following the 2015 annual meeting of stockholders of Abraxas (the “2015 Annual Meeting”) (such period, the “Standstill Period”) The standstill provisions provide, among other things, that the members of the Clinton Group will not:

- solicit (as such term is used in the proxy rules of the Securities and Exchange Commission) proxies or consents to vote any securities of Abraxas, or make, or in any way participate in, any “solicitation” of any “proxy” within the meaning of Rule 14a-1 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), to vote any shares of Abraxas common stock (“Common Stock”) with respect to the election or removal of directors, or become a participant” in any “contested solicitation” for the election or removal of directors with respect to Abraxas (as such terms are defined or used in the Exchange Act and the rules promulgated thereunder), other than solicitations or acting as a participant in support of all of Abraxas’ nominees;
- form, join or in any way participate in any “group” (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to the Common Stock (other than a group comprised solely of the Clinton Group and its affiliates and associates);

deposit any Common Stock in any voting trust or subject any Common Stock to any arrangement or agreement with respect to the voting of any Common Stock, other than any such voting trust, arrangement or agreement solely among the Clinton Group;

- subject to certain exceptions, otherwise act, alone or in concert with others, to make any public statement critical of Abraxas, its directors or management;
  - control or seek to control the Board;
- seek or encourage any person to submit nominations in furtherance of a “contested solicitation” for the election or removal of directors with respect to Abraxas; or
- make any proposal for consideration by stockholders at any annual or special meeting of stockholders or (B) make any offer or proposal (with or without conditions) with respect to a merger, acquisition, disposition or other business combination involving the Clinton Group and Abraxas; provided, however, that nothing in the Settlement Agreement limits the ability of any member of the Clinton Group, or its respective affiliates and associates, except as otherwise provided in the Settlement Agreement, to vote its shares of Common Stock on any matter submitted to a vote of the stockholders of Abraxas.

A copy of the Settlement Agreement was filed as an Exhibit to 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	