

CONCHO RESOURCES INC
Form DEF 14A
April 22, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO.)

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

Concho Resources Inc.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant):

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.

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(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 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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CONCHO RESOURCES INC.

One Concho Center

600 West Illinois Avenue

Midland, Texas 79701

NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Concho Resources Inc.:

Notice is hereby given that the 2014 Annual Meeting of Stockholders (the "Annual Meeting") of Concho Resources Inc. (the "Company") will be held at the Petroleum Club of Midland, 501 West Wall Avenue, Midland, Texas 79701, on Thursday, June 5, 2014, at 10:00 a.m. Central Time. The Annual Meeting is being held for the following purposes:

1. to elect three Class I directors, each for a term of three years;
2. to ratify the Audit Committee of the Board of Directors' selection of Grant Thornton LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2014;
3. to consider an advisory vote to approve the compensation of the Company's named executive officers as disclosed in the accompanying proxy statement; and
4. to transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

These proposals are described in the accompanying proxy materials. You will be able to vote at the Annual Meeting only if you were a stockholder of record at the close of business on April 7, 2014, the record date for the meeting.

By Order of the Board of Directors

Travis L. Counts
Vice President and General Counsel

Midland, Texas

April 22, 2014

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on June 5, 2014:

This Notice and Proxy Statement, along with the Company's Annual Report on Form 10-K for the year ended December 31, 2013 and the Company's 2013 Annual Report to Stockholders, are available free of charge at www.concho.com/proxy.

YOUR VOTE IS IMPORTANT

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Please date, sign and return the enclosed proxy card promptly so that your shares may be voted in accordance with your wishes and so that there is a quorum at the Annual Meeting. You also may vote your shares over the Internet or via a toll-free telephone number, as further described on the enclosed proxy card.

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CONCHO RESOURCES INC.

One Concho Center

600 West Illinois Avenue

Midland, Texas 79701

PROXY STATEMENT

2014 ANNUAL MEETING OF STOCKHOLDERS

This Proxy Statement is being furnished to you in connection with the solicitation of proxies by the Board of Directors of Concho Resources Inc. (the "Company") for use at the Company's 2014 Annual Meeting of Stockholders (the "Annual Meeting"). The Board of Directors of the Company requests your proxy for the Annual Meeting that will be held on Thursday, June 5, 2014, at 10:00 a.m. Central Time, at the Petroleum Club of Midland, 501 West Wall Avenue, Midland, Texas 79701. By granting a proxy, you authorize the persons named in the proxy to represent you and vote your shares at the Annual Meeting. Those persons will also be authorized to vote your shares to adjourn the Annual Meeting from time to time and to vote your shares at any adjournments or postponements of the Annual Meeting.

If you attend the Annual Meeting, you may vote in person. If you are not present at the Annual Meeting, your shares may be voted only by a person to whom you have given a proper proxy.

You may revoke your proxy in writing at any time before it is exercised at the Annual Meeting by: (i) delivering to the General Counsel of the Company a written notice of the revocation; (ii) signing, dating and delivering to the General Counsel of the Company a proxy with a later date; or (iii) attending the Annual Meeting and voting your shares in person. Your attendance at the Annual Meeting will not revoke your proxy unless you give written notice of revocation to the General Counsel of the Company before your proxy is exercised or unless you vote your shares in person at the Annual Meeting before your proxy is exercised.

Brokers are not permitted to vote your shares for discretionary matters, which include the election of directors and the advisory vote to approve executive compensation, without your instructions as to how to vote. Please return your proxy card so that your vote can be counted.

DELIVERY OF PROXY MATERIALS

The approximate date on which this Proxy Statement, accompanying Notice of 2014 Annual Meeting of Stockholders and proxy card, and the Company's 2013 Annual Report to Stockholders are first being sent or given to stockholders is April 22, 2014.

This Notice and Proxy Statement, along with the Company's Annual Report on Form 10-K for the year ended December 31, 2013 and the Company's 2013 Annual Report to Stockholders, are available free of charge at www.concho.com/proxy.

QUORUM AND VOTING

Voting Stock. The Company's common stock, par value \$0.001 per share, is the only outstanding class of the Company's securities that entitles holders to vote generally at meetings of the Company's stockholders. Each share of common stock outstanding on the record date entitles the holder to one vote at the Annual Meeting.

Record Date. The record date for stockholders entitled to notice of and to vote at the Annual Meeting is the close of business on April 7, 2014. As of the record date, 105,237,144 shares of common stock were outstanding and entitled to be voted at the Annual Meeting.

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Quorum and Adjournments. A quorum of stockholders is necessary to have a valid meeting of stockholders. The presence, in person or by proxy, of the holders of a majority of the votes eligible to be cast at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. If a quorum is not present, the chairman has the power to adjourn the Annual Meeting from time to time, without notice other than an announcement at the Annual Meeting, until a quorum is present. In the event a quorum is present at the Annual Meeting but sufficient votes to approve any of the items proposed by the Board of Directors have not been received, the persons named as proxies may propose one or more adjournments of the Annual Meeting to permit further solicitation of proxies. At any annual meeting reconvened following an adjournment at which a quorum is present, any business may be transacted that might have been transacted at the annual meeting as originally noticed.

Vote Required. Only stockholders of record at the close of business on April 7, 2014 have the right to vote at the Annual Meeting. The proposals at the Annual Meeting will require the following votes:

Directors will be elected by a plurality of all votes cast, subject to the Company's majority voting policy contained in its Corporate Governance Guidelines. You may vote **FOR ALL NOMINEES**, **WITHHOLD AUTHORITY FOR ALL NOMINEES** or **FOR ALL EXCEPT** for the director nominees.

Ratification of the selection of the Company's independent registered public accounting firm will require the affirmative vote of the holders of a majority of the votes of the Company's common stock cast affirmatively or negatively at the Annual Meeting with respect to the proposal. You may vote **FOR**, **AGAINST** or **ABSTAIN** on the proposal to ratify the selection of the Company's independent registered public accounting firm.

Approval, on an advisory basis, of the compensation of the Company's named executive officers will require the affirmative vote of the holders of a majority of the votes of the Company's common stock cast affirmatively or negatively at the Annual Meeting with respect to the proposal. You may vote **FOR**, **AGAINST** or **ABSTAIN** on the proposal to approve, on an advisory basis, the compensation of the Company's named executive officers.

An automated system that the Company's transfer agent administers will tabulate the votes.

Brokers who hold shares in street name for customers are required to vote shares in accordance with instructions received from the beneficial owners. The New York Stock Exchange's (the "NYSE") Rule 452 restricts when brokers who are record holders of shares may exercise discretionary authority to vote those shares. Brokers are permitted to vote on discretionary items if they have not received instructions from the beneficial owners, but they are not permitted to vote (a "broker non-vote") on non-discretionary items absent instructions from the beneficial owner. With respect to the Annual Meeting, Rule 452 prohibits such brokers from exercising discretionary authority in the election of the Company's directors and the advisory vote to approve the compensation of the Company's named executive officers but such brokers may exercise discretionary authority with respect to the ratification of the selection of the Company's independent registered public accounting firm.

Abstentions and broker non-votes will be included for purposes of determining whether a quorum is present at the Annual Meeting. Neither abstentions nor broker non-votes will have any effect on the outcome of voting on any of the proposals at the Annual Meeting.

Default Voting. A proxy that is properly completed and returned will be voted at the Annual Meeting in accordance with the instructions on the proxy. If you properly complete and return a proxy, but do not indicate any contrary voting instructions, your shares will be voted in accordance with the Board of Director's recommendations, which are as follows:

FOR the election of the three persons named in this Proxy Statement as the Board of Directors' nominees for election as Class I directors;

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FOR the ratification of the selection of Grant Thornton LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2014; and

FOR the approval, on an advisory basis, of the compensation of the Company's named executive officers as disclosed under Compensation Discussion and Analysis and the accompanying compensation tables under Executive Compensation contained in this proxy statement.

If any other business properly comes before the stockholders for a vote at the Annual Meeting, your shares will be voted at the discretion of the holders of the proxy. The Board of Directors knows of no matters, other than those previously stated herein, to be presented for consideration at the Annual Meeting.

Record Name and Street Name Shares. Shares held directly in your name as the stockholder of record can be voted in person at the Annual Meeting, or you can provide a proxy to be voted at the Annual Meeting. You may vote by mail by signing, dating and returning the enclosed proxy card in the enclosed envelope. If you plan to vote in person at the Annual Meeting, please bring proof of identification. Even if you currently plan to attend the Annual Meeting, we recommend that you also submit your proxy as described above so that your vote will be counted if you later decide not to attend the Annual Meeting.

If you hold your shares in street name (for example, at your brokerage account), please follow the instructions provided by your record holder to vote the enclosed proxy card by signing and dating the enclosed proxy card and returning it in the enclosed postage-paid envelope. Shares held in street name may be voted in person by you at the Annual Meeting only if you obtain a signed proxy from your bank, broker or other holder of record (the record holder) giving you the right to vote the shares. If you hold your shares in street name and wish to simply attend the Annual Meeting, please bring proof of ownership and proof of identification.

ITEM ONE: ELECTION OF DIRECTORS

The Company has classified its Board of Directors into three classes. Directors in each class are elected to serve for three-year terms and until either they are re-elected or their successors are elected and qualified or until their earlier resignation or removal. Each year, the directors of one class stand for re-election as their terms of office expire. Based on recommendations from its Nominating & Governance Committee, the Board of Directors has nominated the following individuals for election as Class I directors of the Company with their terms to expire at the Company's 2017 annual meeting of stockholders, when they are to be re-elected or their successors are elected and qualified or until their earlier resignation or removal:

Timothy A. Leach

William H. Easter III

John P. Surma

Messrs. Leach, Easter and Surma currently serve as Class I directors of the Company. Their biographical information is contained in Directors and Executive Officers below.

The Board of Directors has no reason to believe that any of its nominees will be unable or unwilling to serve if elected. If a nominee becomes unable or unwilling to accept nomination or election, either the number of the Company's directors will be reduced or the persons acting under your proxy will vote for the election of a substitute nominee that the Board of Directors nominates.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ELECTION OF EACH OF THE DIRECTOR NOMINEES.

Table of Contents**DIRECTORS AND EXECUTIVE OFFICERS**

The table below sets forth certain information, as of the date of this Proxy Statement, regarding the Company's directors and executive officers:

Name	Age	Position
Timothy A. Leach	54	Chairman of the Board of Directors, Chief Executive Officer, President and Class I Director
Steven L. Beal	55	Class II Director
Tucker S. Bridwell	62	Class II Director
William H. Easter III	64	Class I Director
Gary A. Merriman	59	Class III Director
Ray M. Poage	66	Class III Director
Mark B. Puckett	62	Class II Director
John P. Surma	59	Class I Director
A. Wellford Tabor	45	Class III Director
C. William Giraud	34	Executive Vice President, Chief Commercial Officer and Corporate Secretary
Jack F. Harper	42	Executive Vice President
E. Joseph Wright	54	Executive Vice President and Chief Operating Officer
J. Steve Guthrie	52	Senior Vice President of Business Operations and Engineering
Darin G. Holderness	50	Senior Vice President and Chief Financial Officer
Matthew G. Hyde	58	Senior Vice President of Exploration

Set forth below is biographical information about each of the Company's executive officers and directors. Executive officers serve at the discretion of the Board of Directors.

Timothy A. Leach has been the Chairman of the Board of Directors and Chief Executive Officer of the Company since its formation in February 2006 and the President of the Company since July 2009. Mr. Leach was the Chairman of the Board of Directors and Chief Executive Officer of Concho Equity Holdings Corp. from its formation in April 2004 until it was merged into another subsidiary of the Company in December 2008. Mr. Leach was Chairman of the Board and Chief Executive Officer of Concho Oil & Gas Corp. from its formation in January 2001 until its sale in January 2004. From January 2004 to April 2004, Mr. Leach was involved in private investments. Mr. Leach was Chairman of the Board and Chief Executive Officer of Concho Resources Inc. (which was a different company than the Company) from its formation in August 1997 until its sale in June 2001. From September 1989 until May 1997, Mr. Leach was employed by Parker & Parsley Petroleum Company (now Pioneer Natural Resources Company) in a variety of capacities, including serving as Executive Vice President and as a member of its Executive Committee. He is a graduate of Texas A&M University with a Bachelor of Science degree in Petroleum Engineering.

Steven L. Beal has been a director since the Company's formation in February 2006 and currently serves as a member of the Reserves Committee. Mr. Beal was a consultant to the Company from July 2009 to August 2013. Mr. Beal was the President and Chief Operating Officer of the Company from its formation in February 2006 until his retirement effective June 30, 2009. Mr. Beal was a director and the President and Chief Operating Officer of Concho Equity Holdings Corp. from its formation in April 2004 until it was merged into another subsidiary of the Company in December 2008. Mr. Beal was a director and the Executive Vice President and Chief Financial Officer of Concho Oil & Gas Corp. from its formation in January 2001 until he became its President and Chief Operating Officer in August 2002, a position he held until its sale in January 2004. From

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January 2004 to April 2004, Mr. Beal was involved in private investments. Mr. Beal was a director and the Vice President and Chief Financial Officer of Concho Resources Inc. (which was a different company than the Company) from its formation in August 1997 until its sale in June 2001. From October 1988 until May 1997, Mr. Beal was employed by Parker & Parsley Petroleum Company (now Pioneer Natural Resources Company) in a variety of capacities, including serving as its Senior Vice President and Chief Financial Officer and as a member of its Executive Committee. From 1981 until February 1988, Mr. Beal was employed by the accounting firm of Price Waterhouse (now PricewaterhouseCoopers). Mr. Beal is also a director of First Financial Bankshares, Inc. He is a graduate of the University of Texas with a Bachelor of Business Administration degree in Accounting.

Tucker S. Bridwell has been a director of the Company since February 2006 and currently serves as a member of the Reserves Committee. Mr. Bridwell was a director of Concho Equity Holdings Corp. from its inception in April 2004 until February 2006. Mr. Bridwell has been the President of each of the Mansefeldt Investment Corporation and the Dian Graves Owen Foundation since September 1997 and manages investments for both entities; both of which are stockholders of the Company. He has been in the energy business in various capacities for over twenty-five years. Mr. Bridwell served as Chairman of the Board of Directors of First Permian, LLC from 2000 until its sale to Energen Corporation in April 2002 and as a director of Petrohawk Energy Corporation from May 2004 until December 2010. Mr. Bridwell is also a director of First Financial Bankshares, Inc. and Halcon Resources Corporation. He is a graduate of Southern Methodist University with a Bachelor of Business Administration degree and a Master of Business Administration degree and is a certified public accountant.

William H. Easter III has been a director of the Company since February 2008 and currently serves as a member of the Audit Committee and the Compensation Committee. From 2004 until his retirement in 2008, Mr. Easter served as the Chairman of the Board of Directors, President and Chief Executive Officer of DCP Midstream, LLC (formerly Duke Energy Field Services, LLC). From 2002 through 2004, Mr. Easter served as Vice President of State Government Affairs for ConocoPhillips, and from 1998 to 2002, Mr. Easter served as General Manager of the Gulf Coast Refining, Marketing and Transportation Business Unit of Conoco Inc. Since his retirement from DCP Midstream, LLC, Mr. Easter has been involved in private investments. He is currently a director of Delta Airlines Inc. He has previously served as director of TEPPCO GP, LLC, the general partner of TEPPCO Partners, L.P., from January 2004 until February 2005; as a director of DCP Midstream GP, LLC, the general partner of DCP Midstream Partners, LP, from November 2005 to January 2008; and as a director of both Sunoco, Inc. and Sunoco Partners, LLC, the General Partner of Sunoco Logistics Partners L.P., from November 2011 until October 2012. He is also a director of the Memorial Hermann Hospital System in Houston and the Texas Tri-Cities Chapter of the National Association of Corporate Directors. He earned his Bachelor of Business Administration degree in Finance from the University of Houston and his Master of Science in Management degree from The Graduate School of Business at Stanford University.

Gary A. Merriman has been a director of the Company since January 2012 and currently serves as the Chairman of the Compensation Committee and as a member of the Reserves Committee. Mr. Merriman began his career at Conoco Inc. in 1976 and held various engineering and supervisory positions of increasing responsibility throughout his career at Conoco, including as a production superintendent in West Texas, President of Conoco Indonesia Inc. and General Manager of Conoco's Rockies business unit. Mr. Merriman ultimately retired in 2002 as the President of Exploration and Production, Americas, where he was responsible for Conoco's operation in the U.S. and South America. Since his retirement, Mr. Merriman has been involved in private investments. Previously, Mr. Merriman served as a director of KCS Energy Inc. from April 2005 to July 2006 and a director of Petrohawk Energy Corporation from July 2006 to August 2011. Mr. Merriman earned a Bachelor's degree in Petroleum Engineering from Marietta College and a Master's degree in Management from the Massachusetts Institute of Technology.

Ray M. Poage has been a director of the Company since August 2007 and serves as the Chairman of the Audit Committee and as a member of the Nominating & Governance Committee and the Reserves Committee.

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Mr. Poage was a partner in KPMG LLP from 1980 to June 2002, when he retired. Since June 2002, Mr. Poage has been involved in private investments and is currently a partner in Pedersen Jones Hughston & Poage PLLC, a public accounting firm, where he provides accounting and tax services to companies engaged in the oil and natural gas industry. Mr. Poage previously served as the Chairman of the Audit Committee and as a member of the Board of Directors of Parallel Petroleum Corporation. Mr. Poage received a Bachelor of Business Administration degree in Accounting from Texas Tech University.

Mark B. Puckett has been a director of the Company since November 2009 and currently serves as the Lead Director, the Chairman of the Reserves Committee and as a member of the Nominating & Governance Committee and the Audit Committee. Mr. Puckett began his career at Chevron in 1973 and retired in May 2008. During his tenure at Chevron, Mr. Puckett held a variety of positions of increasing responsibility in Chevron's upstream operations before ultimately retiring as the President of Chevron's Energy Technology Company, where he was responsible for managing the company's technology resources across all business segments. In addition, Mr. Puckett served on Chevron's management committee from 1997 until his retirement and served on Chevron's upstream and gas leadership team from 2001 until his retirement. Since his retirement, Mr. Puckett has been involved in private investments and is a director of a privately held company. He is a member of the Society of Petroleum Engineers and the Dean's Advisory Council, College of Engineering at Texas A&M University. Mr. Puckett earned a Bachelor's degree in Civil Engineering from Texas A&M University.

John P. Surma has been a director of the Company since March 2014 and currently serves as a member of the Audit Committee and Reserves Committee. Mr. Surma is also currently a member of the boards of directors of Marathon Petroleum Corporation, Ingersoll-Rand plc and MPLX GP LLC, the general partner of MPLX LP. Additionally, Mr. Surma is on the boards of directors of the Federal Reserve Bank of Cleveland and the National Safety Council. He was appointed by President Barack Obama to the President's Advisory Committee for Trade Policy and Negotiations and serves as its vice chairman. Mr. Surma retired as the chief executive officer of United States Steel Corporation effective September 1, 2013, and as executive chairman effective December 31, 2013. Prior to joining United States Steel Corporation in September 2001, Mr. Surma served in several executive positions with Marathon Petroleum Corporation. Prior to joining Marathon Petroleum Corporation, Mr. Surma worked for Price Waterhouse LLP where he was admitted to the partnership in 1987. Mr. Surma earned a Bachelor of Science degree in accounting from Pennsylvania State University in 1976.

A. Wellford Tabor has been a director of the Company since February 2006 and currently serves as the Chairman of the Nominating & Governance Committee and as a member of the Compensation Committee. Mr. Tabor was a director of Concho Equity Holdings Corp. from its inception in April 2004 until February 2006. Mr. Tabor also served as a director of Concho Oil & Gas Corp. from March 2003 until its sale in January 2004. Mr. Tabor is currently the Managing Partner of Keeneland Capital. Prior to founding Keeneland Capital in 2009, Mr. Tabor was a Partner with Wachovia Capital Partners. Mr. Tabor was a Director at The Beacon Group from 1995 to 2000. From 1991 to 1993, he worked in the Investment Banking Division at Morgan Stanley & Co. Mr. Tabor is also a director of VantageSouth Bank, Inc. and several privately held companies. Mr. Tabor earned his undergraduate degree from the University of Virginia and his Master of Business Administration degree from The Graduate School of Business at Stanford University.

C. William Giraud has been the Executive Vice President, Chief Commercial Officer and Corporate Secretary of the Company since November 2013. Mr. Giraud was the Senior Vice President, Chief Commercial Officer and Corporate Secretary of the Company from May 2013 to November 2013. Mr. Giraud was the Senior Vice President, General Counsel and Secretary of the Company from October 2010 to May 2013. Mr. Giraud was the Vice President - General Counsel and Secretary of the Company from November 2009 to October 2010. Prior to joining the Company, Mr. Giraud practiced corporate and securities law at Vinson & Elkins, L.L.P. He is a graduate of Wake Forest University with a Bachelor of Arts degree in Economics and a graduate of the University of Texas School of Law with a Doctor of Jurisprudence degree.

Jack F. Harper has been the Executive Vice President of the Company since March 2014. From January 2013 until March 2014, Mr. Harper was involved in private investments. Mr. Harper previously served as the

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Senior Vice President and Chief of Staff of the Company from November 2010 until January 2013. From May 2007 to October 2010, Mr. Harper was the Vice President Business Development and Capital Markets of the Company. Mr. Harper was the Director of Investor Relations and Business Development of the Company from July 2006 until May 2007. From October 2005 until July 2006, Mr. Harper was involved in private investments. From October 2002 until October 2005, Mr. Harper was employed by Unocal Corporation, where he served as Manager of Planning and Evaluation and Manager of Business Development for Unocal Corporation's wholly owned subsidiary, Pure Resources, Inc. From May 2000 until October 2002, Mr. Harper was employed by Pure Resources, Inc. in a variety of capacities, including in his last position as Vice President, Finance and Investor Relations. From December 1996 until May 2000, Mr. Harper was employed by Tom Brown, Inc., where his last position was Vice President, Investor Relations, Corporate Development and Treasurer. He is a graduate of Baylor University with a Bachelor of Business Administration degree in Finance.

E. Joseph Wright has been the Executive Vice President and Chief Operating Officer of the Company since November 2013. Mr. Wright was the Senior Vice President and Chief Operating Officer from November 2010 to November 2013. Mr. Wright was the Vice President Engineering and Operations since the Company's formation in February 2006 to October 2010. Mr. Wright was the Vice President Operations & Engineering of Concho Equity Holdings Corp. from its formation in April 2004 until it was merged into another subsidiary of the Company in December 2008. Mr. Wright was Vice President Operations/Engineering of Concho Oil & Gas Corp. from its formation in January 2001 until its sale in January 2004. From January 2004 to April 2004, Mr. Wright was involved in private investments. Mr. Wright served in various engineering and operations positions for Concho Resources Inc. (which was a different company than the Company), including serving as its Vice President Operations, from 1998 until its sale in June 2001. From 1982 until February 1998, Mr. Wright was employed by Mewbourne Oil Company in several operations, engineering and capital markets positions. He is a graduate of Texas A&M University with a Bachelor of Science degree in Petroleum Engineering.

J. Steve Guthrie has been the Senior Vice President of Business Operations and Engineering of the Company since November 2013. Mr. Guthrie previously served as the Vice President of Texas of the Company from October 2010 to November 2013. Mr. Guthrie also served as Texas Asset Manager of the Company from July 2008 to October 2010 and as Corporate Engineering Manager from August 2004 to July 2008. Prior to joining the Company in 2004, Mr. Guthrie was employed by Moriah Resources as Business Development Manager, by Henry Petroleum in various engineering and operations capacities and by Exxon in several engineering and operations positions. Mr. Guthrie is a graduate of Texas Tech University with a Bachelor of Science degree in Petroleum Engineering.

Darin G. Holderness has been the Senior Vice President and Chief Financial Officer of the Company since October 2012. Mr. Holderness was the Senior Vice President, Chief Financial Officer and Treasurer from October 2010 to October 2012 and was the Vice President Chief Financial Officer and Treasurer of the Company from August 2008 to October 2010. From May 2008 until August 2008, Mr. Holderness was employed by Eagle Rock Energy Partners, L.P. as Senior Vice President and Chief Financial Officer. From November 2004 until May 2008, Mr. Holderness served as Vice President and Chief Accounting Officer of Pioneer Natural Resources Company. Mr. Holderness holds a Bachelor of Business Administration degree in Accounting from Boise State University and is a certified public accountant.

Matthew G. Hyde has been the Senior Vice President of Exploration of the Company since October 2010. From November 2008 to October 2010, Mr. Hyde was the Vice President Exploration and Land. Mr. Hyde was the Vice President Exploration of the Company from May 2008 until November 2008. From January 2008 to May 2008, Mr. Hyde was involved in private investments. From March 2001 to December 2007, Mr. Hyde was an Asset Manager of Oxy Permian, a business unit of Occidental Petroleum Corporation. From April 1998 to February 2001, Mr. Hyde served as President and General Manager of Occidental Petroleum Corporation's international business unit in Oman. Prior to that role, Mr. Hyde served in a variety of domestic and international exploration positions for Occidental Petroleum Corporation, including Regional Exploration Manager responsible for Latin American exploration activities. He is a graduate of the University of Vermont.

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and the University of Massachusetts where he obtained Bachelor of Arts and Master of Science degrees, respectively, in Geology. Mr. Hyde also holds a Master of Business Administration degree from the University of California Los Angeles.

CORPORATE GOVERNANCE

Corporate Governance Guidelines

The Board of Directors believes that sound governance practices and policies provide an important framework to assist it in fulfilling its duty to stockholders. The Company's Corporate Governance Guidelines include provisions concerning the following:

role and functions of the Board of Directors and the Lead Director;

qualifications, independence, responsibilities, tenure and compensation of directors;

size of the Board of Directors;

director resignation process;

committee functions and independence of committee members;

meetings of independent directors;

performance review of the Board of Directors; and

director orientation and continuing education.

The Company's Corporate Governance Guidelines are posted at www.concho.com/governance. The Company's Corporate Governance Guidelines are reviewed periodically and as necessary by the Company's Nominating & Governance Committee, and any proposed additions to or amendments of the Corporate Governance Guidelines will be presented to the Board of Directors for its approval.

Anti-Pledging Policy

As discussed more fully below, in March 2014, the Company made certain modifications in its Insider Trading Policy to expressly prohibit directors and officers from purchasing Company securities on margin and pledging such securities as security for loans.

Director Independence

Rather than adopting categorical standards, the Board of Directors assesses director independence on a case-by-case basis, in each case consistent with applicable legal requirements and the listing standards of the NYSE. After reviewing all relationships each director has with the Company, including the nature and extent of any business relationships between the Company and each director, as well as any significant charitable contributions the Company makes to organizations where its directors serve as board members or executive officers, the Board of Directors has affirmatively determined that the following directors have no material relationships with the Company and are independent as defined by the current listing standards of the NYSE: Messrs. Easter, Merriman, Poage, Puckett, Surma and Tabor. Mr. Leach, the Company's Chief Executive Officer and President, is not considered by the Board of Directors to be an independent director because of his employment with the Company. Mr. Beal is not considered to be an independent director because of his previous position as an executive officer of the

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Company and his previous role as a paid consultant to the Company. Mr. Bridwell is not considered to be an independent director because of the Company's payment of royalties to a partnership of which Mr. Bridwell is the general partner.

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Board Leadership Structure

The Board of Directors does not have a formal policy addressing whether or not the roles of Chairman and Chief Executive Officer should be separate or combined. The directors serving on the Board of Directors possess considerable professional and industry experience, significant experience as directors of both public and private companies and a unique knowledge of the challenges and opportunities that the Company faces. As such, the Board of Directors believes that it is in the best position to evaluate the needs of the Company and to determine how best to organize the Company's leadership structure to meet those needs.

At present, the Board of Directors of the Company has chosen to combine the positions of Chairman and Chief Executive Officer. While the Board of Directors believes it is important to retain the flexibility to determine whether the roles of Chairman and Chief Executive Officer should be separated or combined in one individual, the Board of Directors believes that the current Chief Executive Officer is the individual with the necessary experience, commitment and support of the other members of the Board of Directors to effectively carry out the role of Chairman.

The Board of Directors believes this structure promotes better alignment of strategic development and execution, more effective implementation of strategic initiatives and clearer accountability for the Company's success or failure. Moreover, the Board of Directors believes that combining the Chairman and Chief Executive Officer positions does not impede independent oversight of the Company. Six of the nine members of the Board of Directors are independent under NYSE listing standards.

Executive Sessions; Election of Lead Director

To facilitate candid discussion among the Company's directors, the non-management directors meet in executive session in conjunction with each regular board meeting and as otherwise determined by the Lead Director.

The Board of Directors elected Mr. Puckett, an independent director, to serve as the Lead Director. In this capacity Mr. Puckett provides, in conjunction with the Chairman, leadership and guidance to the Board of Directors. As the Lead Director, Mr. Puckett also (i) serves as chairman of executive sessions of the non-management directors and (ii) in consultation with the Chairman, establishes the agenda for each meeting of the Board of Directors, taking into account the suggestions of other directors. Interested parties who wish to communicate with the Board of Directors, its committees, the Chairman, the Lead Director or any other individual director should follow the procedures described below under Interested Party Communications.

Majority Voting for Directors

Though the Company's bylaws provide for the election of directors by a plurality of votes cast, its Corporate Governance Guidelines require any director who receives more votes withheld than votes for to tender his or her resignation. In such event, the Nominating & Governance Committee would determine whether to accept such director's resignation, subject to the Board of Directors' final approval. The Company believes that this majority vote standard ensures accountability and the opportunity for a positive mandate for the Company's stockholders.

Board of Directors' Role in Risk Oversight

In the normal course of its business, the Company is exposed to a variety of risks, including market risks relating to changes in commodity prices, interest rates, technical risks affecting the Company's resource base, political risks and credit and investment risk. The Company's executive officers attend all regularly scheduled meetings of the Board of Directors, where they conduct presentations to the Board of Directors on various strategic matters involving the Company's operations and are available to address any questions or concerns raised by the Board of Directors on risk management or any other matters. The Board of Directors oversees the strategic direction of the Company, and in doing so considers the potential rewards and risks of the Company's

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business opportunities and challenges, and monitors the development and management of risks that impact the Company's strategic goals. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by monitoring the effectiveness of the Company's systems of financial reporting, auditing, internal controls and legal and regulatory compliance. In 2011, the Board of Directors established a Reserves Committee to assist the Board of Directors in its oversight of the risks related to the Company's estimates of proved reserves of oil and natural gas. To address risks related to the Company's hedging program, a group consisting of the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Treasurer and Mr. Easter, an independent director, regularly review the Company's hedging strategy and positions and make reports to the full Board of Directors.

Director Qualifications

A number of the members of the Board of Directors have served as members of senior management and/or directors of other public and private companies. In addition, all members of the Board of Directors have extensive experience in the oil and natural gas or other extractive industries and are familiar with board processes.

More specifically, Mr. Leach has been Chairman and Chief Executive Officer of the Company since its formation and President since July 2009. Mr. Beal served as the President and Chief Operating Officer of the Company from its formation until his retirement in June 2009. Mr. Beal also served as a consultant to the Company from July 2009 to August 2013. In addition, both men previously served as executive officers of two Permian Basin-focused private oil and natural gas companies and in varying executive roles at Parker & Parsley Petroleum Company (now Pioneer Natural Resources Company). Messrs. Leach and Beal's deep knowledge of the Company and the industry as a result of their long tenure with the Company and previous companies make them valuable members of the Board of Directors.

Mr. Easter's experience as Chairman, President and Chief Executive Officer of DCP Midstream, LLC and his current service on the board of directors of Delta Airlines and his previous service on the board of directors of TEPPCO GP LLC, Sunoco, Inc. and Sunoco Partners, LLC has provided him with midstream and natural gas marketing expertise, as well as valuable management skills. Mr. Merriman, as a result of his 26 year career at Conoco, Inc. and his recent service on the board of a similarly sized exploration and production company provides the Board of Directors with insight into asset management and operations. Mr. Puckett, as a result of his 35 year career at Chevron Corporation, provides the Board of Directors a valuable source of engineering, drilling and oil and natural gas operations management expertise. Mr. Surma's significant experience as an executive in the energy and steel industries, particularly his expertise in finance and accounting, and his current service on the board of directors of Marathon Petroleum Corporation, Ingersoll-Rand plc and MPLX GP LLC, the general partner of MPLX LP, brings important experience and skill to the Board of Directors. In addition, as the Company expects to continue to grow in size and scale, the Board of Directors will benefit from Messrs. Easter, Merriman, Puckett and Surma's experience in managing large organizations.

Messrs. Bridwell and Tabor each bring decades worth of experience in energy finance and oil and natural gas investments, as well as knowledge gained through past and current service on the board of directors of various public and private companies in the energy industry. Each is familiar with the issues, trends and opportunities within the industry, providing the Company's management with meaningful relationships and supplying the Board of Directors with critical expertise when evaluating potential acquisition opportunities and exploration projects.

Mr. Poage spent the majority of his 30 years of service at KPMG LLP advising oil and natural gas companies on accounting and tax matters, which assists the Board of Directors when dealing with tax, audit and other accounting matters. In addition, his recent service as the chair of the audit committee of another public exploration and production company gives him valuable perspective on issues facing audit committees.

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Attendance at Annual Meetings

The Board of Directors encourages all directors to attend the annual meetings of stockholders, if practicable. Four of the Company's directors attended last year's annual meeting.

Interested Party Communications

The Company's stockholders and other interested persons may communicate with the Board of Directors, any committee of the Board of Directors, the Chairman of the Board of Directors, the Lead Director or any other individual director by sending communications to: Concho Resources Inc., One Concho Center, 600 West Illinois Avenue, Midland, Texas 79701, Attention: General Counsel.

The envelope containing each communication should be marked "Communication with Directors" and clearly identify the intended recipient(s) of the communication. The Company's General Counsel will review each communication received from stockholders and other interested parties and will forward the communication, as expeditiously as reasonably practicable, to the addressees if the communication: (i) complies with the requirements of any applicable policy adopted by the Board of Directors relating to the subject matter of the communication; and (ii) falls within the scope of matters generally considered by the Board of Directors. To the extent the subject matter of a communication relates to matters that have been delegated by the Board of Directors to a committee or to an executive officer of the Company, the Company's General Counsel may forward the communication to the chairperson of the committee or executive officer to which the matter has been delegated. The acceptance and forwarding of communication to the members of the Board of Directors, the Company's General Counsel or an executive officer does not imply or create any fiduciary duty of any member of the Board of Directors, the Company's General Counsel or any executive officer to the person submitting the communication.

Information may be submitted confidentially and anonymously, although the Company may be obligated by law to disclose the information or identity of the person providing the information in connection with government or private legal actions and in other circumstances. The Company's policy is not to take any adverse action, and not to tolerate any retaliation, against any person for asking questions or making good faith reports of possible violations of law, the Company's policies or its Code of Business Conduct and Ethics.

Available Governance Materials

The following materials are available on the Company's website at www.concho.com:

Charter of the Audit Committee of the Board of Directors;

Charter of the Compensation Committee of the Board of Directors;

Charter of the Nominating & Governance Committee of the Board of Directors;

Charter of the Reserves Committee of the Board of Directors;

Code of Business Conduct and Ethics;

Financial Code of Ethics;

Corporate Governance Guidelines; and

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Policies and Procedures Relating to Disclosures Required by Item 407 of Regulation S-K.

Stockholders may obtain a copy, free of charge, of each of these documents by sending a written request to Concho Resources Inc., One Concho Center, 600 West Illinois Avenue, Midland, Texas 79701, Attention: General Counsel.

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MEETINGS AND COMMITTEES OF DIRECTORS

General

The Board of Directors held seven meetings, and its independent directors met in executive session four times, during 2013. No director attended fewer than 75% of the meetings of the Board of Directors and of the committees of the Board of Directors on which that director served.

The Board of Directors has four standing committees: the Audit Committee, the Compensation Committee, the Nominating & Governance Committee and the Reserves Committee.

Audit Committee

The members of the Audit Committee are Messrs. Poage (Chairman), Easter, Puckett and Surma. The Board of Directors has determined that each of the members of the Audit Committee satisfies the standards of independence established under Securities and Exchange Commission (SEC) rules and regulations and the listing standards of the NYSE. The Board of Directors has further determined that each of the members of the Audit Committee is financially literate and that Mr. Poage is an audit committee financial expert as defined by the rules and regulations of the SEC. The Audit Committee held eight meetings during 2013.

The Audit Committee has the authority to retain, compensate, evaluate and terminate the Company's independent registered public accounting firm. The functions of the Audit Committee, which are discussed in detail in its charter, include the duty to assist the Board of Directors in fulfilling its oversight responsibilities regarding general oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, and the independent registered public accounting firm's qualifications, independence and performance. Among other things, the Audit Committee is responsible for overseeing the Company's accounting and financial reporting processes; preparing the Audit Committee Report for inclusion in the Company's proxy statement; selecting and evaluating the Company's independent registered public accounting firm; overseeing the Company's internal audit function; reviewing and approving, as appropriate, any related person transactions; and overseeing any investigations into complaints concerning financial matters.

Compensation Committee

The members of the Compensation Committee are Messrs. Merriman (Chairman), Easter and Tabor. The Board of Directors has determined that each of the members of the Compensation Committee satisfies the standards of independence established under the applicable SEC rules and regulations and the listing standards of the NYSE. The Compensation Committee held nine meetings during 2013.

The functions of the Compensation Committee, which are discussed in detail in its charter, include the duty to administer the Company's agreements, plans, policies and programs regarding compensation of the Company's executive officers and directors. The Compensation Committee is also responsible for preparing the Compensation Committee Report for inclusion in the Company's proxy statement and for assisting the Company's management in preparing the Compensation Discussion and Analysis for inclusion in the Company's proxy statement.

The Compensation Committee is delegated all authority of the Board of Directors as may be required or advisable to fulfill the purposes of the Compensation Committee. The Compensation Committee may form and delegate some or all of its authority to subcommittees when it deems appropriate.

Meetings may, at the discretion of the Compensation Committee, include members of the Company's management, independent consultants or advisors, and such other persons as the Compensation Committee or its chairperson may determine. The Compensation Committee Chairman makes decisions regarding the agenda for regularly scheduled meetings and develops the agenda for special meetings based on information supplied by the

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person requesting the special meeting. The Company's Chief Executive Officer makes recommendations to the Compensation Committee regarding the compensation of other executive officers and provides information to the Compensation Committee regarding the other executive officers' performance; however, the Compensation Committee makes all final decisions regarding all executive officers' compensation.

The Compensation Committee has the sole authority to retain, approve the fees payable to, amend the engagement with, and terminate any compensation consultant to be used to assist in the evaluation of director and executive officer compensation. Beginning in 2011, the Compensation Committee engaged Meridian Compensation Partners ("Meridian") yearly as its independent consultant. Services Meridian may provide include apprising the Compensation Committee of compensation-related trends, developments in the marketplace and industry best practices; informing the Compensation Committee of compensation-related regulatory developments; providing peer group survey data to establish compensation ranges for the various elements of compensation; providing an evaluation of the competitiveness of the Company's non-employee director and executive compensation and benefits programs; assessing the relationship between executive pay and performance; and advising on the design of the Company's incentive compensation programs.

Nominating & Governance Committee

The members of the Nominating & Governance Committee are Messrs. Tabor (Chairman), Poage and Puckett. The Board of Directors has determined that each of the members of the Nominating & Governance Committee satisfies the standards of independence established under the listing standards of the NYSE. The Nominating & Governance Committee held four meetings during 2013.

The functions of the Nominating & Governance Committee, which are discussed in detail in its charter, include the duty to assist the Board of Directors by evaluating potential new members of the Board of Directors, recommending committee members and structure and advising the Board of Directors about appropriate corporate governance practices. The Company's Policies and Procedures Relating to Disclosures Required by Item 407 of Regulation S-K provide that in identifying, evaluating and recommending to the Board of Directors director nominees, the Nominating & Governance Committee shall identify persons who (i) are selected on the basis of their business and professional experience and qualifications, including service on the boards of directors of other companies; (ii) have demonstrated leadership in other companies or government, finance or accounting, higher education or other fields or who are able to provide the Company with relevant expertise, industry knowledge or marketing acumen; (iii) possess the highest personal and professional ethics, integrity and values and are committed to the Company's core values; (iv) are willing to commit the required time to serve as a member of the Board of Directors and its committees; and (v) will represent all stockholders rather than special interest groups or any group of stockholders. The Nominating & Governance Committee will consider all candidates recommended by any stockholder on the same basis as candidates recommended by the Board of Directors and other sources. While the Board of Directors does not have a formal policy on diversity, in selecting nominees, the Nominating & Governance Committee seeks to have a Board of Directors that represents a diverse range of perspectives and experience relevant to the Company.

In determining whether to recommend a director for re-election to the Board of Directors, in accordance with such policies and procedures, the Nominating & Governance Committee considers the director's:

past Board of Directors' and committee meeting attendance and performance;

length of service on the Board of Directors;

personal and professional integrity, including commitment to the Company's core values;

experience, skills and contributions to the Board of Directors; and

independence under applicable standards.

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Reserves Committee

The members of the Reserves Committee are Messrs. Puckett (Chairman), Beal, Bridwell, Merriman, Poage and Surma. The Reserves Committee was formed in 2011 to assist the Board of Directors with oversight in the preparation of annual reserve reports, special reserve reports and audits of the estimated amounts of the Company's consolidated oil and natural gas reserves and related information by independent petroleum engineers. The Reserves Committee oversees the independent petroleum engineers who evaluate the Company's oil and natural gas reserves and reviews the engineers' independence from the Company annually. The Reserves Committee held five meetings during 2013.

ITEM TWO: RATIFICATION OF SELECTION OF INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected Grant Thornton LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2014. Grant Thornton LLP has audited the Company's and its predecessors' financial statements since 2004. The audit of the Company's annual consolidated financial statements for the year ended December 31, 2013 was completed by Grant Thornton LLP on February 20, 2014.

The Board of Directors is submitting the selection of Grant Thornton LLP for ratification at the Annual Meeting. The submission of this matter for ratification by stockholders is not legally required, but the Board of Directors and the Audit Committee believe the submission provides an opportunity for stockholders through their vote to communicate with the Board of Directors and the Audit Committee about an important aspect of corporate governance. If the stockholders do not ratify the selection of Grant Thornton LLP, the Audit Committee will reconsider, but will not be required to rescind, the selection of that firm as the Company's independent registered public accounting firm. Representatives of Grant Thornton LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. Such representatives are also expected to be available to respond to appropriate questions.

The Audit Committee has the authority and responsibility to retain, evaluate and replace the Company's independent registered public accounting firm. The stockholders' ratification of the appointment of Grant Thornton LLP does not limit the authority of the Audit Committee to change the Company's independent registered public accounting firm at any time.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE SELECTION OF GRANT THORNTON LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 2014.

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AUDIT MATTERS

The following report of the Audit Committee of the Company shall not be deemed to be soliciting material or to be filed with the SEC, nor shall this report be incorporated by reference into any filing made by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Audit Committee Report

Pursuant to its charter, the Audit Committee's principal functions include the duty to (i) annually review and reassess its performance and the adequacy of its charter; (ii) pre-approve audit or non-audit services proposed to be rendered by the Company's independent registered public accounting firm; (iii) annually review the qualifications and independence of the independent registered public accounting firm's senior personnel who are providing services to the Company; (iv) review with management and the independent registered public accounting firm the Company's annual and quarterly financial statements, earnings press releases and financial information and earnings guidance provided to analysts and ratings agencies; (v) review with management the Company's major financial risk exposures; (vi) review changes to the Company's significant auditing and accounting principles and practices; (vii) review the independent registered public accounting firm's internal quality-control procedures and the procedures for the Company's financial reporting processes; and (viii) assist the Board of Directors in monitoring compliance with legal and regulatory requirements. While the Audit Committee has the responsibilities and powers set forth in its charter, and the Company's management and the independent registered public accounting firm are accountable to the Audit Committee, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable laws, rules and regulations.

In performing its oversight role, the Audit Committee has reviewed and discussed the Company's audited financial statements with the Company's management and independent registered public accounting firm. The Audit Committee has also discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16 Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board (PCAOB). The Audit Committee has received the written disclosures and the written statement from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence. The Audit Committee has also considered whether the provision of non-audit services by the independent registered public accounting firm to the Company is compatible with maintaining the independent registered public accounting firm's independence and has discussed with the independent registered public accounting firm its independence.

Based on the reviews and discussions described in this Audit Committee Report, and subject to the limitations on the roles and responsibilities of the Audit Committee referred to herein and in its charter, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements for the year ended December 31, 2013 be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the SEC on February 20, 2014. The Audit Committee also selected Grant Thornton LLP as the Company's independent registered public accounting firm for 2014.

Members of the Audit Committee rely, without independent verification, on the information provided to them and on the representations made by the Company's management and independent registered public accounting firm. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that (i) the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards, (ii) the Company's financial statements are presented in accordance with generally accepted accounting principles, or (iii) Grant Thornton LLP is in fact independent.

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Members of the Audit Committee:

Ray M. Poage (Chairman)

William H. Easter III

Mark B. Puckett

John P. Surma

Audit and Other Fees

The table below sets forth the aggregate fees and expenses billed by Grant Thornton LLP, the Company's independent registered public accounting firm, for the last two fiscal years:

	For the Years Ended December 31,	
	2013	2012
Audit Fees ⁽¹⁾ :		
Audit	\$ 736,945	\$ 698,445
Quarterly Reviews	193,565	165,537
Other Filings	89,995	118,016
Subtotal	1,020,505	981,998
Tax Fees ⁽²⁾	95,041	91,149
Total	\$ 1,115,546	\$ 1,073,147

⁽¹⁾ Includes audit of the Company's annual consolidated financial statements included in its Annual Report on Form 10-K, review of the Company's quarterly financial statements included in its Quarterly Reports on Form 10-Q and review of the Company's other filings with the SEC, including comfort letters, consents and other research work necessary to comply with generally accepted auditing standards for the years ended December 31, 2013 and 2012.

⁽²⁾ Tax return preparation and consultation on tax matters.

The charter of the Audit Committee and its pre-approval policy require that the Audit Committee review and pre-approve the Company's independent registered public accounting firm's fees for audit, audit-related, tax and other services. The Chairman of the Audit Committee has the authority to grant pre-approvals, provided such approvals are within the pre-approval policy and are presented to the Audit Committee at a subsequent meeting. For the year ended December 31, 2013, the Audit Committee approved 100% of the services described above under the captions "Audit Fees" and "Tax Fees."

EQUITY COMPENSATION PLAN INFORMATION

The table below provides certain information about the Company's equity compensation plans as of December 31, 2013:

(a) Number of Securities to be Issued Upon Exercise of Outstanding	(b) Weighted-Exercise Price of Outstanding	(c) Number of Securities Remaining Available for Future Issuance
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	Options, Warrants and Rights	Options	Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plan approved by security holders ⁽¹⁾	255,537 ⁽²⁾	\$ 21.50	1,468,760
Equity compensation plan not approved by security holders ⁽³⁾			
Total	255,537		1,468,760

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(1) In June 2012, the stockholders of the Company approved the Amended and Restated 2006 Stock Incentive Plan, the Company's only equity compensation plan, which provides for the issuance of up to 7.5 million shares of the Company's common stock. There are no outstanding warrants or equity rights awarded under the Company's equity compensation plan. See Note F to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 for more information.

(2) These securities do not include shares of restricted stock awarded under the Amended and Restated 2006 Stock Incentive Plan.

(3) None.

DIRECTOR COMPENSATION

The table below summarizes compensation paid by the Company to its non-employee directors during 2013:

Name ⁽¹⁾	Fees Earned or Paid in Cash ⁽²⁾	Stock Awards (3)(4)	All other Compensation	Total
Steven L. Beal	\$ 66,500	\$ 175,059	\$ 864,638 ⁽⁵⁾	\$ 1,106,197 ⁽⁵⁾
Tucker S. Bridwell	68,000	175,059		243,059
William H. Easter, III	84,500	175,059		259,559
W. Howard Keenan, Jr. ⁽⁶⁾	55,500			55,500
Gary A. Merriman	95,375	175,059		270,434
Ray M. Poage	100,000	175,059		275,059
Mark B. Puckett	121,500	175,059		296,559
A. Wellford Tabor	90,875	175,059		265,934

(1) Mr. Leach is not included because he is an executive officer of the Company and receives no additional compensation for serving on the Board of Directors; please see the Summary Compensation Table below for further details on the compensation that Mr. Leach received for his services to the Company during the 2013 year. Mr. Surma is not included because he was not a director of the Company in 2013.

(2) The amounts in this column represent the fees earned by the directors during 2013. Fees earned during the fourth quarter of each year are paid during the first quarter of the next year. During the fourth quarter of 2012, Messrs. Beal, Bridwell, Easter, Keenan, Merriman, Poage, Puckett and Tabor earned \$17,000, \$15,500, \$20,000, \$20,000, \$23,375, \$22,000, \$30,125 and \$22,500, respectively, which amounts were paid during the first quarter of 2013 and not included in the table above.

(3) The amounts in this column represent the grant date fair value computed in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 for awards granted in 2013. The Company values its restricted stock awards based on the average of the high and low market-quoted sales price of the Company's common stock on the grant date of the award. Additional detail regarding the Company's share-based awards is included in Note F to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

(4) Aggregate director stock awards for which restrictions had not lapsed as of December 31, 2013, totaled 1,800 shares each for Messrs. Beal, Bridwell, Easter, Merriman, Poage, Puckett and Tabor. Restrictions on these shares lapsed February 19, 2014.

(5)

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Includes payment of \$140,000 of consulting fees and \$4,638 related to health care reimbursements pursuant to the Company's consulting agreement with Mr. Beal. Also includes payment of \$720,000 pursuant to the termination of the Company's consulting agreement with Mr. Beal on August 14, 2013.

⁽⁶⁾ Mr. Keenan resigned from the Board of Directors in November 2013, thereby forfeiting his unvested restricted shares.

General. The Board of Directors believes that providing a compensation package at the market median is necessary to attract and retain qualified directors. The Board of Directors believes that the compensation package should require a significant portion of the total compensation package to be equity-based to align the interests of the Company's directors and stockholders. Mr. Leach, the Company's Chief Executive Officer and President, receives no additional compensation for his service on the Board of Directors.

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Director Compensation. The elements of compensation for the Company's non-employee directors during the year ended December 31, 2013 were:

an annual retainer fee of \$50,000;

annual retainer fees of \$20,000, \$13,500, \$10,000, \$13,500 and \$15,000, respectively, to the chairmen of the Audit Committee, Compensation Committee, Nominating & Governance Committee and Reserves Committee and the Lead Director;

attendance fees of \$1,500 for Board of Directors' and committee meetings; and

annual equity awards of shares of restricted stock to each director having a value of approximately \$175,000.

Time of service related forfeiture restrictions on the Company's restricted stock issued to directors lapse twelve months following the grant date of the award. All retainer and attendance fees are paid quarterly in cash to directors.

Additionally, each director is reimbursed for (i) travel and miscellaneous expenses to attend meetings and activities of the Board of Directors or its committees; (ii) travel and miscellaneous expenses related to such director's participation in the Company's general education and orientation program for directors; and (iii) travel and miscellaneous expenses for each director's spouse who accompanies a director to attend meetings and activities of the Board of Directors or its committees.

After a review of the Company's director compensation program and effective starting the fourth quarter of 2013, the Company increased the annual retainer fee for (i) the Chairman of the Compensation Committee from \$13,500 to \$15,000, (ii) the Chairman of the Nominating & Governance Committee from \$10,000 to \$13,500, and (iii) the Lead Director from \$15,000 to \$25,000.

Director Stock Ownership Guidelines. The Compensation Committee established director stock ownership guidelines under which directors who are not also executive officers of the Company are expected to own shares of the Company's common stock having a market value of at least \$400,000. Directors are expected to meet these guidelines within three years of becoming a director. The Company's director stock ownership guidelines are designed to increase a director's equity stake in the Company and to align the director's interests more closely with those of the Company's stockholders. As of December 31, 2013, all directors were in compliance with the stock ownership guidelines.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

The Company compensates its executive management using a mix of base salary, annual performance bonus and equity grants, with the objectives of attracting and retaining key executive officers critical to long-term success, compensating those executive officers fairly and competitively for their responsibilities and accomplishments, aligning management's incentives with the long-term interests of the Company's stockholders, and planning for an orderly succession plan for executive positions. The Company believes that base salary levels should generally be set near the middle of the Company's competitive marketplace for comparable positions, and that the Company's variable compensation programs (i.e., the annual performance bonus program and long-term incentives) should result in total compensation that is directly related to Company performance.

For executive management, a significant portion of total compensation is delivered using a combination of restricted stock and performance units to ensure a focus on behaviors that improve total stockholder return over the long-term. The allocation of total targeted direct compensation for the Company's executive officers among

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the different components thereof is set forth in the following table, which is based on annualized base salaries as of January 1, 2013, 2013 target bonus levels and restricted stock and performance units that were granted effective in January 2013 (assuming vesting at target levels with the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, disregarding any estimates for forfeiture):

Name	Base Salary	Bonus	Equity
Timothy A. Leach	10%	10%	81%
E. Joseph Wright	11%	11%	78%
C. William Giraud	14%	10%	76%
Darin G. Holderness	15%	11%	74%
Matthew G. Hyde	15%	11%	74%

As in previous years, the Compensation Committee, with the assistance of the Company's independent compensation consultant, reviewed the compensation practices of peers within the industry and took actions in 2013 to align the Company's compensation levels with those of the industry. The Compensation Committee also considered the results of the advisory say-on-pay vote at the most recent annual stockholders meeting, in which the compensation of the named executive officers was approved by a significant majority. The Company's key executive compensation decisions in 2013 included:

maintaining Mr. Leach's base salary at its 2012 level;

awarding a mix of performance units and restricted stock instead of solely restricted stock; and

aligning internal pay parity and consistency while considering peer compensation metrics for individual roles and executive officers generally.

Introduction and Overview

General. This Compensation Discussion and Analysis (i) explains the Company's compensation philosophy, objectives, policies and practices with respect to its executive officers, and (ii) analyzes the elements of compensation for each of the individuals identified below, whom the Company refers to in this Compensation Discussion and Analysis as the Company's named executive officers.

Name	Principal Position
Timothy A. Leach	Chairman of the Board, Chief Executive Officer and President
E. Joseph Wright	Executive Vice President and Chief Operating Officer
C. William Giraud	Executive Vice President, Chief Commercial Officer and Corporate Secretary
Darin G. Holderness	Senior Vice President and Chief Financial Officer
Matthew G. Hyde	Senior Vice President of Exploration

Compensation Philosophy and Objectives. The success of the Company and its ability to maximize stockholder value is dependent on its ability to attract, retain and motivate the best available talent in the energy industry. As such, the Compensation Committee views the Company's most important asset, its people, as an investment rather than an expense. Consequently, the Compensation Committee has developed overarching objectives for its executive compensation program, which are as follows:

attract, retain and motivate the best available talent in the energy industry;

align the interests of the Company's executive officers with those of its stockholders; and

pay for performance, whereby an executive officer's total compensation opportunity will be heavily influenced by the Company's performance, as well as the executive officer's individual performance.

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To accomplish these objectives, the Company provides what it believes is a competitive total compensation package to the Company's executive officers through a combination of base salary, performance-based annual cash incentive awards, both performance and time-based long-term equity incentive compensation and broad-based benefit programs.

Total Compensation. In determining total compensation for the Company's executive officers, the Compensation Committee intends to align management incentives with long-term value creation for the Company's stockholders. To that end, the Compensation Committee targets total compensation to be such that base salaries are near the market median and that annual cash incentives and long-term incentives provide the opportunity to realize total compensation above the 50th percentile of the Company's peer group based on individual and Company performance. In keeping with its philosophy of pay for performance, the Compensation Committee may award total compensation amounts that exceed or fall short of market median.

Setting Executive Officer Compensation

Role of the Compensation Committee. The Compensation Committee approves all compensation decisions relating to the Company's executive officers, oversees the Company's compensation benefit plans and administers the Company's stock incentive plan (including reviewing and approving all equity grants to the Company's executive officers). The Compensation Committee is empowered by the Board of Directors and by the Compensation Committee's charter to make all decisions regarding compensation for the Company's executive officers. In his role as chairman of the Compensation Committee, Mr. Merriman sets the Compensation Committee's meeting agendas, meeting times and calendar. In addition, the Compensation Committee members speak frequently with each other concerning compensation matters outside of regularly scheduled Compensation Committee meetings. Mr. Merriman regularly reports to the entire Board of Directors regarding compensation matters and calls upon counsel, the Company's independent compensation consultant and expertise of other members of the Board of Directors as he and the other members of the Compensation Committee deem advisable.

Role of Executive Officers. The Compensation Committee meets outside the presence of all of the Company's executive officers to consider appropriate compensation for the Company's Chief Executive Officer. When determining compensation for other executive officers, the Compensation Committee initially consults with the Chief Executive Officer and Chief Commercial Officer. After these initial consultations, the Compensation Committee meets solely with the Chief Executive Officer in making other executive officer compensation determinations. The Company's Chief Executive Officer reviews other executive officers' performance with the Compensation Committee and makes recommendations with respect to appropriate base salaries, awards under the Company's annual cash incentive plan and grants of long-term equity incentive awards for the other executive officers. Based in part on these recommendations from the Company's Chief Executive Officer and other considerations discussed below, the Compensation Committee establishes and approves the compensation package for each of the Company's other executive officers.

Use of Peer Group Comparisons. The Compensation Committee has selected a group of companies that it considers a peer group for executive compensation analysis purposes. For 2013, the Compensation Committee's independent compensation consultant, Meridian, compiled compensation data for the peer group from its North America Oil & Gas Exploration and Production Compensation Survey, as well as publicly filed documents. The Compensation Committee uses the compensation data to compare the compensation of the Company's executive officers to comparably titled persons at companies within its peer group, generally targeting base salaries for the Company's executive officers which are near the market median of its peer group, and targeting annual cash and long-term incentives so that the Company's executive officers will have the opportunity to realize total compensation above the 50th percentile of the Company's peer group based on Company and individual performance. The Compensation Committee uses peer group median targets to assist it in judging the appropriate levels of compensation for the Company's executive officers; however, the Compensation Committee has the discretion to deviate from these median levels when it determines that relevant facts and circumstances make any deviations appropriate.

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Each year, the Compensation Committee reviews and re-determines the composition of the Company's peer group so that the peer group consists of oil and gas exploration and production companies (i) with assets and market capitalization similar to the Company and (ii) who potentially compete with the Company for executive talent.

The Company's peer group for 2013 compensation purposes consisted of:

Cabot Oil & Gas Corporation	Pioneer Natural Resources Company
Cimarex Energy Co.	QEP Resources, Inc.
Continental Resources, Inc.	Range Resources Corporation
Denbury Resources Inc.	SM Energy Company
Newfield Exploration Company	Southwestern Energy Company
Noble Energy Inc.	Whiting Petroleum Corporation

Role of Compensation Consultant. For 2013 compensation, the Compensation Committee engaged Meridian as its independent compensation consultant. The Compensation Committee's compensation consultant reports only to the Compensation Committee; although, it may, from time to time, contact the Company's executive officers for information necessary to fulfill its assignment and may make reports and presentations to and on behalf of the Compensation Committee that the Company's executive officers also receive. Representatives from the compensation consultant attend certain of the Compensation Committee meetings and advise the Compensation Committee on an ongoing basis with regard to general trends in director and executive compensation matters, including (i) competitive benchmarking; (ii) incentive plan design; (iii) peer group selection; and (iv) other matters requested from time to time by the Compensation Committee. The Compensation Committee has engaged Meridian again for 2014. The Compensation Committee has the sole authority to hire and terminate its compensation consultant, and the Compensation Committee is not under any obligation to follow the advice or recommendations of any consultant it chooses to engage.

In engaging Meridian for 2013, the Compensation Committee considered the six factors delineated by the SEC in Rule 10C-1 of the Securities Exchange Act of 1934 and the listing standards of the NYSE and determined that Meridian was independent with no disclosable conflicts of interest.

2013 Say on Pay Vote

In June 2013, the Company held an advisory stockholder vote on the compensation of named executive officers at the annual stockholders meeting, and, consistent with the recommendation of the Board of Directors, stockholders approved the Company's executive compensation, with more than 98% of votes cast in favor. Consistent with this strong showing of stockholder approval, the Company has not undertaken any material changes to the Company's executive compensation programs directly in response to the outcome of the vote. The Board of Directors previously determined to hold an advisory vote on the compensation of the named executive officers every year until the next required advisory vote on the frequency of future advisory votes.

Elements of the Company's Executive Officer Compensation Program

Overview. The Company's executive officer compensation program for 2013 was comprised of the following four components: base salaries, performance-based annual cash incentive awards, long-term equity incentive grants (time-based and performance-based) and a broad-based benefits program. The Compensation Committee determined the appropriate level for each compensation component during 2013 based on the Company's recruiting and retention goals, its view of internal parity and consistency, peer group data and overall Company performance.

Base Salaries. The Company pays base salaries to provide a minimum, fixed level of cash compensation for its executive officers. The Compensation Committee believes that paying base salaries near the market median is necessary to achieve the Company's compensation objectives of attracting and retaining executives

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with the appropriate abilities and experience required to lead the Company. On an annual basis, the Compensation Committee reviews salary ranges and individual salaries for each of the Company's executive officers as compared to the salaries of comparable officer positions in the Company's peer group. The Compensation Committee established 2013 base salary levels for each named executive officer after consideration of market median pay levels, the individual's responsibilities, skills and experience, and the base salaries of others on the executive team. Based on its review, the Compensation Committee established 2013 base salary levels for the Company's named executive officers, as follows:

Name	2013 Base Salary	Salary Increase from 2012
Timothy A. Leach	\$ 850,000	0%
E. Joseph Wright	500,000	11.1%
C. William Giraud	425,000	14.9%
Darin G. Holderness	425,000	13.3%
Matthew G. Hyde	425,000	14.9%

For 2014, the Compensation Committee process for setting executive officer base salaries was similar to the process for 2013. After considering the market analysis and advice of its compensation consultant, the Compensation Committee established 2014 base salary levels for the Company's named executive officers as follows:

Name	2014 Base Salary	Salary Increase from 2013
Timothy A. Leach	\$ 950,000	11.8%
E. Joseph Wright	550,000	10.0%
C. William Giraud	500,000	17.6%
Darin G. Holderness	450,000	5.9%
Matthew G. Hyde	450,000	5.9%

Performance-Based Annual Cash Incentive Awards. Each year, the Compensation Committee establishes an annual cash incentive program, which is designed to reward the Company's executive officers for achieving both short- and long-term performance and strategic goals. Performance is judged at the end of the year based on successful execution of the Company's annual business plan objectives and on stock price and other performance criteria relative to peer companies, although the Compensation Committee retains full discretion to determine the ultimate bonus amount to be paid. For the Company's 2013 annual cash incentive program, the Compensation Committee set the target annual cash incentive bonus amounts to be 100% of base salary for Messrs. Leach and Wright, although the awards to Messrs. Leach and Wright could range from 0% to 200% of their base salary depending on the Compensation Committee's evaluation. The target annual cash bonus for the Company's other named executive officers was set at 75% of such executive officer's base salary, although the award to such executive officer could range from 0% to 150% of base salary depending on the Compensation Committee's evaluation. In evaluating the executive officers' performance during 2013, the Compensation Committee reviewed the following performance factors: growth of oil and natural gas production, growth of estimated proved reserves, EBITDAX (defined below), lease operating expense, general and administrative expense, the Company's leverage, relative stock price performance and other actions related to the long-term success of the Company. The Compensation Committee does not set specific targets for these performance factors, but whether the Company achieves success in these categories is a large factor in the Compensation Committee's determination of the final payouts under the annual cash incentive program.

After a review of the above information, the Compensation Committee made cash bonus awards equal to 130% of the targeted annual cash bonus amounts under the plan for Messrs. Leach, Wright, Giraud, Holderness and Hyde. The factors that influenced the Compensation Committee's final decision were as follows:

oil and natural gas production grew to 33.6 million barrels of oil equivalent (MMBoe), a 20% increase over 2012 production from continuing operations;

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estimated proved reserves grew to 503 MMBoe, a 13% increase over 2012;

earnings before interest, taxes, depreciation and amortization and exploration expenses (EBITDAX⁽¹⁾) of \$1,685.6 million, a 14% increase over 2012;

lease operating expense of \$7.85 per barrel of oil equivalent, within guidance;

significant further exploration and development of the Company's Delaware Basin and Texas Permian assets; and

successful execution of \$850 million of a public notes offering and tender offer for/redemption of \$300 million of notes to improve the Company's liquidity.

The Company's determination of 2014 annual cash incentive awards in early 2015 is expected to be similar to the process for determining the 2013 annual cash incentive awards.

Time-Based Long-Term Equity Incentive Compensation. The annualized value of the long-term equity incentive compensation is intended to be the largest component of each named executive officer's overall compensation package because the Compensation Committee believes significant emphasis on stock-based compensation effectively aligns the interests of the Company's named executive officers with those of its stockholders, providing incentive to the Company's named executive officers to focus on the long-term success of the Company. In addition, the Company has historically utilized multi-year vesting periods, typically four years, when granting time-based long-term equity incentive compensation to facilitate the compensation objective of retaining the Company's named executive officers, although certain events may modify the general vesting schedule of the awards, as described in more detail below within the section titled Potential Payments Upon a Termination or Change of Control. Historically, the Compensation Committee has chosen to grant restricted stock, rather than stock options, because (i) restricted stock awards were less dilutive than stock options, (ii) in the Compensation Committee's opinion, restricted stock provided a more effective retention incentive and (iii) many of the Company's competitors had also made the shift from stock options towards restricted stock.

The total value of each named executive officer's annual long-term equity incentive award is set in the first quarter each year and is based significantly on the Compensation Committee's review of peer group data provided by its compensation consultant and the Compensation Committee's view of each executive officer's role and contribution at the Company. Award values are generally targeted at the median of the Company's peer group, which is consistent with the Compensation Committee's overall compensation philosophy. In addition to peer group data, the Compensation Committee considers and reviews individual performance and the Company's performance to determine the value of each individual officer's long-term equity incentive award, which may vary above or below the median for that particular officer. The Company's annual awards are determined based on a targeted dollar value. The Compensation Committee determined that for 2013 it would be beneficial to the Company's stockholders to grant 50% of the annual equity awards in the form of time-based restricted stock and 50% in the form of a performance-based equity compensation award (described below).

⁽¹⁾ EBITDAX is defined as net income (loss), plus (i) exploration and abandonments expense, (ii) depreciation, depletion and amortization expense, (iii) accretion expense, (iv) impairments of long-lived assets, (v) non-cash stock-based compensation expense, (vi) (gain) loss on derivatives not designated as hedges, (vii) cash receipts from (payments on) derivatives not designated as hedges, (viii) loss on disposition of assets, net, (ix) interest expense, (x) loss on extinguishment of debt, (xi) federal and state income taxes on continuing operations and (xii) similar items listed above that are presented in discontinued operations. See Item 1. Business Non-GAAP Financial Measures and Reconciliations in the Company's 2013 Annual Report on Form 10-K.

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Based on the foregoing considerations, the Company granted time-based restricted stock in January 2013 to its named executive officers as follows (which is a reflection of 50% of the total long-term equity award granted for the 2013 year):

	Restricted Stock Awards
Timothy A. Leach	37,051
E. Joseph Wright	18,525
C. William Giraud	12,350
Darin G. Holderness	11,115
Matthew G. Hyde	11,115

For 2014, the Compensation Committee process for making long-term incentive awards was similar to the process for 2013. In January 2014, the Company granted restricted stock to its current named executive officers as follows, with Mr. Leach receiving a grant of entirely performance units (as described below) in lieu of receiving any restricted stock:

	Restricted Stock Awards
Timothy A. Leach	
E. Joseph Wright	16,443
C. William Giraud	11,123
Darin G. Holderness	9,672
Matthew G. Hyde	9,672

In addition to annual grants to executive officers, the Compensation Committee has the discretion to approve long-term incentive awards in connection with hiring new executive officers.

Performance-Based Long-Term Equity Incentive Compensation. At the 2012 Annual Meeting, the Company's stockholders approved an amendment to the 2006 Stock Incentive Plan, which allows the Company to grant performance-based awards. The Compensation Committee then engaged Meridian to assist it in implementing a performance-based equity incentive component to the Company's long-term equity program. While restricted stock awards provide retention and align an officer's interests with that of the Company's stockholders, they are not considered to be wholly performance-based compensation vehicles.

In January 2013, the Company granted performance unit awards to certain employees, including the named executive officers that were employed at the time as follows:

	Target Number of Performance Unit Awards
Timothy A. Leach	37,051
E. Joseph Wright	18,525
C. William Giraud	12,350
Darin G. Holderness	11,115
Matthew G. Hyde	11,115

The performance units granted to the named executive officers were granted subject to a performance period that began on January 1, 2013 and will end on December 31, 2015.

In January 2014, the Company granted performance unit awards to certain employees, including the named executive officers that were employed at the time as follows:

	Target Number of Performance Unit Awards
Timothy A. Leach	62,869

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E. Joseph Wright	16,443
C. William Giraud	11,123
Darin G. Holderness	9,672
Matthew G. Hyde	9,672

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The 2014 performance units granted to the named executive officers were granted subject to a performance period that began on January 1, 2014 and will end on December 31, 2016.

At target levels, each performance unit represents the holder's right to receive one share of the Company's common stock, provided that certain performance criteria are met during a specified time period and that the named executive officer remains employed during such specified performance period. The number of shares of the Company's common stock that may be delivered pursuant to the settlement of that performance unit will range from 0% to 300% of the target number of performance units granted, subject to the level of satisfaction of the performance goal achieved. The performance goal applicable to the performance units is a combination of a total shareholder return (TSR) relative to the Company's peer group and the absolute TSR achieved by the Company during the performance period.

TSR (for the Company or for a peer company, as applicable) is defined as the percentage rate of return that shareholders receive through stock price changes and the receipt of cash dividends, if any, paid over the specific performance period, using the following formula:

$$\text{TSR} = (\text{Closing Value} - \text{Initial Value} + \text{Cash Dividends}) / \text{Initial Value}$$

Closing Value generally means the average of the closing price of the common stock on each trading day during the period that begins on the first day of the calendar month in which the last day of the performance period occurs and ending on the last day of the performance period. The

Initial Value is generally defined to mean the average of the closing price of the common stock on each trading day in the calendar month immediately preceding the performance period. The Cash Dividends will be the sum of any cash dividends paid during the applicable performance period.

The relative TSR for the performance units will compare the Company's TSR to the TSR of the Company's peer group (see page 21 above for a listing of current peer companies) over the performance period. Using straight line interpolation between levels, the applicable percentage of target performance units that may be earned with respect to the relative TSR goal will be as follows:

Company's Relative Ranking	Applicable Percentage
90 th Percentile or Above	200%
70 th Percentile	150%
50 th Percentile	100%
25 th Percentile	50%
Below the 25 th Percentile	0%

The percentage of target performance units that may be earned with respect to the absolute annualized TSR goal will be determined in accordance with the following table:

Company's Annualized Total Shareholder

Return for the Performance Period	Applicable Percentage
Less than 0%	50%
0% to 15%	100%
Greater than 15%	150%

At the end of the performance period, the Compensation Committee must certify whether and to the extent that the performance goals have been achieved and will determine the number of performance units, if any, determined to be earned for the performance period. The number of performance units deemed to be earned will equal the product of the target number of performance units initially granted to the individual multiplied by the percentage determined with respect to relative TSR under the table above and multiplied by the percentage determined with respect to absolute annualized TSR under the table above. Like the restricted stock awards, certain events may modify the general vesting schedule of the performance units, as described in more detail below within the section titled "Potential Payments Upon a Termination or Change of Control."

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Stock Ownership Guidelines and Prohibited Transactions. The Compensation Committee established stock ownership guidelines under which the Company's Chief Executive Officer is expected to own shares of the Company's common stock having a market value of at least five times his base salary, and each of the Company's other executive officers is expected to own shares of the Company's common stock having a market value of at least three times his respective base salary. All executive officers are expected to meet these guidelines within five years of becoming an executive officer. The Company's stock ownership guidelines are designed to increase an executive's equity stake in the Company and to align an executive's interests more closely with those of the Company's stockholders. As of December 31, 2013, all of the Company's executive officers were in compliance with the stock ownership guidelines.

Anti-Hedging, Anti-Pledging Policy. In March 2014, the Company made certain modifications in its Insider Trading Policy to expressly prohibit directors and officers from entering into equity derivative or other financial instruments that would have the effect of limiting rewards and downward market risk of owning the Company's securities (including equity securities received as part of the Company's compensation program). In addition, the revised policy prohibits directors and officers from purchasing Company securities on margin and pledging such securities as security for loans (including with respect to a margin account).

Potential Payments Upon a Termination or Change of Control. The Company maintains an employment agreement with each of the named executive officers that provides potential severance payments upon the termination of their employment in certain situations. On December 19, 2008, the Company entered into new employment agreements with all of its then-executive officers, which became effective on January 1, 2009. In connection with the January 2009 agreements, the Compensation Committee was advised by its compensation consultant regarding market competitive levels for the compensation related terms and conditions in the new employment agreements. The January 2009 employment agreements for all of the Company's named executive officers were designed so that all such officers would have employment agreements with the same term and similar severance and change of control provisions.

Generally, in the event that the employment of the named executive officers are terminated by the Company other than for cause (and not by reason of death or disability) or if they terminate their employment following a change in duties, the executives will receive severance equal to eighteen months of base salary (twenty-four months of base salary in the case of Mr. Leach), as well as up to twelve months continued medical benefits. If the same termination events fall within the two year period immediately following a change of control, each of the Company's named executive officers is entitled to an increased severance payment equal to two years of base salary and average annual bonus, accelerated vesting of any unvested stock option and restricted stock awards, and up to eighteen months continued medical benefits.

The performance unit award agreement pursuant to which the 2013 performance units were granted to the named executive officers provides that, in the event of a change of control of the Company during the performance period, the TSR relative to the Company's peer group and the Company's absolute annualized TSR will be determined based on actual performance as if the performance period ended on the date of the change of control, and outstanding performance units will be settled immediately following such date.

The Company believes that these severance and change of control arrangements mitigate some of the risk that exists for executives working in a publicly owned company. These arrangements are intended to attract and retain qualified executives that could have job alternatives that may appear to them to be less risky absent these arrangements. Because of recent significant volatility in the oil and natural gas industry, the transactional nature of the industry historically, and the quality of the Company's workforce and asset base, there is a possibility that the Company could be acquired in the future. Accordingly, the Company believes that the larger severance packages resulting from terminations related to change of control transactions provide an incentive for executives to continue to help successfully execute such a transaction from its early stages until consummation. The Compensation Committee believes that these severance and change of control arrangements provide important protection to the Company's executive officers, are consistent with the practices of peer companies and are

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appropriate for the attraction and retention of executive talent. More information on these severance and change of control agreements can be found below under Potential Payments Upon a Termination or Change of Control.

Other Benefits. The Company's executive officers are eligible to participate in all of the Company's employee benefit plans, such as medical, dental, vision, group life, disability, and accidental death and dismemberment insurance and 401(k) plan, in each case on the same basis as other employees, subject to applicable law. The Company provides vacation and other paid leave to all employees, including the Company's executive officers, which are comparable to those provided within the oil and natural gas industry. The Company also pays the costs of the executive officers' annual extensive physical examination.

During 2013, the Company owned and operated two aircraft and purchased hours in an additional aircraft program to facilitate the travel of the Company's employees in a safe manner and with the best use of their time. Under his employment agreement, Mr. Leach is entitled to utilize the Company's aircraft for business travel and reasonable personal travel in North America. Other senior executive officers are permitted under limited circumstances to use the Company's aircraft for personal travel at the discretion of the Chief Executive Officer. The amount of personal use of the Company's aircraft is subject to review and adjustment by the Compensation Committee quarterly.

Aggregate incremental cost for personal aircraft usage was determined by calculating the variable costs (which include fuel, catering, aircraft maintenance, landing fees and trip related hangar, parking and pilot costs) for each aircraft during the year, dividing that amount by the total number of hours flown by that aircraft, and multiplying the result by the hours flown for personal use during the year. On occasions when the spouse or other family members of an executive officer accompanies the executive on a flight, no additional direct operating cost is incurred under the foregoing methodology.

Tax and Accounting Policies. Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), places a limit of \$1 million on the amount of compensation that the Company may deduct in any one year with respect to each of the Company's Chief Executive Officer and other three most highly paid executive officers (other than its Chief Financial Officer). There is an exception to the \$1 million limitation for performance-based compensation meeting certain requirements. The Company's annual cash incentive plan does not meet the definition of performance-based compensation for purposes of Section 162(m) of the Code primarily because it is not formula driven, the performance goals applicable under the plan have not been approved by the Company's stockholders and the Compensation Committee retains the right to make subjective evaluations of performance, including an assessment of how effectively management adapts to changing industry conditions and opportunities during the year. The performance share awards utilized in the Company's 2013 and 2014 executive compensation program are designed to provide performance-based incentive compensation that would be fully deductible under Section 162(m) of the Code. To maintain flexibility in compensating the Company's executive officers in a manner designed to promote varying corporate goals, the Compensation Committee has not adopted a policy requiring all compensation to be deductible.

The Company accounts for equity compensation to its employees under FASB ASC Topic 718, which requires the Company to estimate and record an expense over the service period of the award. However, for tax purposes, subject to any limitations under Section 162(m) of the Code, income recognized by employees from nonqualified stock options granted at fair market value should be deductible by the Company, but, to the extent that a stock option constitutes an incentive stock option, the Company will not be allowed a compensation deduction if there is no disqualifying disposition by the optionee. In addition, subject to any limitations under Section 162(m) of the Code, if the Company grants shares of restricted stock, the related compensation expense should be fully deductible by the Company at the time the award is otherwise taxable to the grantee.

The Company structures annual cash incentive compensation so that it is taxable to its executives at the time it becomes available to them. For tax purposes, cash compensation is recorded as an expense at the time the obligation is accrued and is deductible by the Company subject to limitations under Section 162(m) of the Code.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis required by Item 402 of Regulation S-K promulgated by the SEC with management of the Company, and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that such Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Members of the Compensation Committee:

Gary A. Merriman (Chairman)

William H. Easter III

A. Wellford Tabor

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The compensation paid to the Company's executive officers generally consists of base salaries, annual cash incentive payments, awards under the Stock Incentive Plan, contributions to the Company's defined contribution 401(k) retirement plan and miscellaneous perquisites. The table below sets forth information regarding fiscal 2013 compensation awarded to, earned by or paid to the Company's named executive officers, which includes the Company's Chief Executive Officer, Chief Financial Officer, three most highly compensated executive officers other than its Chief Executive Officer and Chief Financial Officer. The table also sets forth information regarding fiscal year 2012 and 2011 compensation for the named executive officers, where applicable.

Name	Year	Salary	Bonus	Stock Awards ⁽¹⁾	All Other Compensation ⁽²⁾	Total
Timothy A. Leach <i>Chairman, Chief Executive Officer and President</i>	2013	\$ 850,000	\$ 1,105,000	\$ 7,134,726	\$ 183,916	\$ 9,273,642
	2012	850,000	1,275,000	5,000,004	119,482	7,244,486
	2011	675,000	1,080,000	2,400,099	59,635	4,214,734
E. Joseph Wright <i>Executive Vice President and Chief Operating Officer</i>	2013	500,000	650,000	3,567,267	36,412	4,753,679
	2012	450,000	573,750	2,200,112	51,395	3,275,257
	2011	400,000	544,000	945,009	50,168	1,939,177
C. William Giraud <i>Executive Vice President, Chief Commercial Officer and Corporate Secretary</i>	2013	425,000	414,375	2,378,178	41,896	3,259,449
	2012	370,000	416,250	1,300,098	27,971	2,114,319
	2011	325,000	390,000	530,015	24,032	1,269,047
Darin G. Holderness <i>Senior Vice President and Chief Financial Officer</i>	2013	425,000	414,375	2,140,360	49,749	3,029,484
	2012	375,000	421,875	1,300,098	36,043	2,133,016
	2011	340,000	408,000	1,075,130	166,608	1,989,738
Matthew G. Hyde <i>Senior Vice President of Exploration</i>	2013	425,000	414,375	2,140,360	41,539	3,021,274
	2012	370,000	416,250	1,300,098	27,401	2,113,749
	2011	340,000	408,000	630,006	20,550	1,398,556

⁽¹⁾ The amounts in these columns represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, disregarding any estimates of forfeiture. With respect to the performance units granted in 2013, amounts are based on the probable outcome of the performance goals as of the grant date of the awards. The Company's performance units are valued using the Monte Carlo simulation method assuming a target number of shares would be issued because this is deemed to be the probable payout percentage at the time of grant consistent with the estimate of aggregate compensation cost to be recognized over the service period. Actual payouts with respect to performance units can range from zero percent to 300 percent of a target number of units based on a combination during the performance period of a TSR relative to the Company's peer group and the absolute TSR achieved by the Company. If the Company's performance is below the threshold performance, no shares will be paid. If the TSR measured against the Company's peer group is in the 90th percentile or above, and the absolute annualized TSR is greater than 15%, a maximum of 300 percent of the target number of shares will be paid. In that instance, the grant date fair value of the maximum number of shares for each of the named executive officers pursuant to performance units granted in 2013 would be as follows: Mr. Leach, \$12,382,445; Mr. Wright, \$6,191,055; Mr. Giraud, \$4,127,370; Mr. Holderness, \$3,714,633; and Mr. Hyde, \$3,714,633. Additional detail regarding the Company's share-based awards is included in Note F to Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

⁽²⁾ The amounts in this column for the year 2013 consist of (i) the Company's matching contributions on behalf of the named executive officers' 401(k) plan, (ii) life insurance premiums, (iii) the cost of an annual physical and (iv) personal aircraft usage. In 2013, the Company matched contributions on behalf of the named executive officers' 401(k) plan in the amount of \$23,000 for each of Messrs. Leach, Wright, Holderness and Hyde, and \$17,500 for Mr. Giraud. Life insurance premiums for the named executive officers in 2013 consisted of \$1,292 for Messrs. Leach, Wright and Holderness, and \$306 and \$2,077 for Messrs. Giraud and Hyde, respectively. The cost of an annual physical for each of the named executive officers in 2013 was \$2,683, \$3,673, \$2,753, \$2,859 and \$2,859 for Messrs. Leach,

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Wright, Giraud, Holderness and Hyde, respectively. Personal aircraft usage in 2013 for each of the named executive officers amounted to \$156,941, \$8,447, \$21,337, \$22,598 and \$13,603 for Messrs. Leach, Wright, Giraud, Holderness and Hyde, respectively, which represents the aggregate incremental cost to the Company for such use. See Compensation Discussion and Analysis Elements of the Company's Executive Officer Compensation Program Other Benefits for a discussion of the calculation methodology of personal aircraft usage.

Grants of Plan-Based Awards for 2013

The table below reports all grants of plan-based awards, including restricted stock and performance units, made during 2013 to the Company's named executive officers under the Stock Incentive Plan.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards ⁽¹⁾			All Other Stock Awards: Number of Shares of Stock or Units ⁽²⁾⁽³⁾	Grant Date Fair Value of Stock Awards ⁽⁴⁾
		Threshold	Target	Maximum		
Timothy A. Leach	January 2, 2013	0	37,051	111,153	37,051	\$ 7,134,726
E. Joseph Wright	January 2, 2013	0	18,525	55,575	18,525	3,567,267
C. William Giraud	January 2, 2013	0	12,350	37,050	12,350	2,378,178
Darin G. Holderness	January 2, 2013	0	11,115	33,345	11,115	2,140,360
Matthew G. Hyde	January 2, 2013	0	11,115	33,345	11,115	2,140,360

- ⁽¹⁾ The amounts in these columns represent the threshold, target and maximum payouts for the performance unit awards granted to each named executive officer during the 2013 year. The number of shares shown in the Threshold column reflects the lowest possible payout of the number of performance units granted. If performance is below the threshold, no shares are paid. The number of shares shown in the Target column reflects a payout of 100 percent of the number of performance units granted. The number of shares shown in the Maximum column reflects the highest possible payout of 300 percent of the number of performance units granted. The actual payout of shares may be anywhere between zero and 300 percent of the number of performance units granted depending on the Company's performance at the end of the three-year performance period. See Compensation Discussion and Analysis Elements of the Company's Executive Officer Compensation Program above for more discussion of the performance units.
- ⁽²⁾ The amounts in these columns represent the restricted stock granted to the named executive officers on the noted date. No option awards were granted to the named executive officers during the 2013 year.
- ⁽³⁾ The shares of restricted stock granted on January 2, 2013 vest in four equal annual installments beginning one year from the date of grant.
- ⁽⁴⁾ The amounts in this column represent the grant date fair value of equity awards computed in accordance with FASB ASC Topic 718, disregarding the estimate of forfeiture. The Company values its restricted stock awards based on the average of the high and low market-quoted sales price of the Company's common stock on the grant date of the award. Generally, the grant date fair value is expensed in the Company's financial statements over the vesting schedule of the restricted stock. The value of performance units was determined on the grant date using the Monte Carlo simulation method and is consistent with the estimate of aggregate compensation costs that the Company would expense in its financial statements over the awards' performance period, in accordance with FASB ASC Topic 718. See footnote 1 to the Summary Compensation Table for additional information about the assumptions used in calculating these amounts. Additional detail regarding the Company's share-based awards is also included in Note F to Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

The table below sets forth, for each named executive officer, information about equity awards outstanding as of December 31, 2013:

Name	Option Awards				Stock Awards			
	Equity Incentive Plan Number of Awards: Securities Underlying Unexercised Options	Equity Incentive Plan Number of Awards: Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares of Stock That Have Not Vested ⁽¹⁾	Market Value of Shares of Stock That Have Not Vested ⁽²⁾	Equity Incentive Plan Awards; Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁽¹⁾	Equity Incentive Plan Awards; Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ⁽²⁾
Timothy A. Leach	115,700	\$ 21.84	February 27, 2018			\$		
	43,630	20.40	February 26, 2019					
					10,997 ⁽³⁾	1,187,676		
					109,250 ⁽⁴⁾	11,799,000		
					11,257 ⁽⁵⁾	1,215,756		
					32,562 ⁽⁶⁾	3,516,696		
E. Joseph Wright					37,051 ⁽⁷⁾	4,001,508	37,051 ⁽⁹⁾	\$ 4,001,508
	4,363	20.40	February 26, 2019					
					3,299 ⁽³⁾	356,292		
					21,850 ⁽⁴⁾	2,359,800		
					4,432 ⁽⁵⁾	478,656		
					14,328 ⁽⁶⁾	1,547,424		
C. William Giraud					18,525 ⁽⁷⁾	2,000,700	18,525 ⁽⁹⁾	2,000,700
					1,099 ⁽³⁾	118,692		
					21,850 ⁽⁴⁾	2,359,800		
					2,486 ⁽⁵⁾	268,488		
					8,466 ⁽⁶⁾	914,328		
					12,350 ⁽⁷⁾	1,333,800	12,350 ⁽⁹⁾	1,333,800
Darin G. Holderness					2,199 ⁽³⁾	237,492		
					21,850 ⁽⁴⁾	2,359,800		
					2,814 ⁽⁵⁾	303,912		
					1,702 ⁽⁸⁾	183,816		
					8,466 ⁽⁶⁾	914,328		
					11,115 ⁽⁷⁾	1,200,420	11,115 ⁽⁹⁾	1,200,420
Matthew G. Hyde	30,555	31.33	May 21, 2018					
	17,452	20.40	February 26, 2019					
					3,299 ⁽³⁾	356,292		
					21,850 ⁽⁴⁾	2,359,800		
					2,954 ⁽⁵⁾	319,032		
					8,466 ⁽⁶⁾	914,328		
					11,115 ⁽⁷⁾	1,200,420	11,115 ⁽⁹⁾	1,200,420

⁽¹⁾ Vesting is accelerated upon termination of employment by reason of death or disability or upon the occurrence of certain events following a change of control of the Company as discussed below in Potential Payments Upon a Termination or Change of Control.

⁽²⁾ Based on the closing price of the Company's common stock of \$108.00 on December 31, 2013.

⁽³⁾ These shares of restricted stock vest on February 23, 2014.

- (4) These shares of restricted stock vest on October 7, 2014.
- (5) These shares of restricted stock vest in one-half increments on February 22, 2014 and 2015.
- (6) These shares of restricted stock vest in one-third increments on February 21, 2014, 2015 and 2016.
- (7) These shares of restricted stock vest in one-quarter increments on January 2, 2014, 2015, 2016 and 2017.
- (8) These shares of restricted stock vest on August 2, 2014.
- (9) The number of units listed shows the target number of performance units outstanding. Each performance unit represents a contractual right to receive one share of common stock; provided that the actual number of shares that may be deliverable under an award will range from 0% to 300% of the number of performance units awarded, depending on an absolute annualized TSR and a relative TSR in comparison to an identified peer group during the 36-month performance period ending December 31, 2015.

Table of Contents**Option Exercises and Stock Vested**

The table below sets forth, for each named executive officer, information about option exercises and lapses of restrictions on restricted stock awards during 2013:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise ⁽¹⁾	Number of Shares Acquired on Vesting	Value Realized on Vesting ⁽²⁾
Timothy A. Leach	96,800	\$ 6,878,326	33,607	\$ 3,135,241
E. Joseph Wright			12,742	1,186,701
C. William Giraud			5,166	485,207
Darin G. Holderness	3,272	238,202	9,969	930,955
Matthew G. Hyde	25,000	1,864,000	10,051	934,882

⁽¹⁾ Represents the number of stock options multiplied by the difference between the exercise price and the average of the high and low market-quoted sales price of the Company's common stock on the date of exercise.

⁽²⁾ Represents the number of shares multiplied by the average of the high and low market-quoted sales price of the Company's common stock on the vesting date.

Potential Payments Upon a Termination or Change of Control

The Company maintains employment agreements with each of its executive officers that provide for potential severance payments upon a termination of the executive's employment under various circumstances, and the amount, timing and form of the potential payment of benefits under the employment agreements may vary depending on whether the termination occurs in connection with a change of control. The Company's rationale for maintaining these agreements with the Company's executive officers has been detailed within the Compensation Discussion and Analysis above. The executive officers' employment agreements are all substantially similar, so the following discussion will apply to each of the executive officers unless specifically noted otherwise. The Company and Messrs. Leach, Wright, Holderness and Hyde entered into their current executive employment agreements on December 19, 2008, effective as of January 1, 2009. The Company and Mr. Giraud entered into his executive employment agreement on November 5, 2009.

Employment Agreement Terms for Messrs. Leach, Wright, Giraud, Holderness and Hyde. An involuntary termination is defined in the employment agreements as a termination of an executive's employment that is not a voluntary resignation by the executive, unless such resignation occurs on or before a date that is sixty days following the date the executive receives a notice that a change in duties has occurred; an involuntary termination also does not include termination for cause or any termination that results from the executive's death or disability. A change in duties has two alternative definitions depending on whether or not the event happens within the two year period beginning on the date a change of control has occurred (the change of control period). A change in duties within a change of control period means (i) a material reduction in the nature or scope of an executive's authorities or duties; (ii) a reduction in an executive's base salary; (iii) a diminution in an executive's eligibility to participate in bonus, stock option, incentive award and other compensation plans; (iv) a material diminution in an executive's employee benefits and perquisites, or (v) a change in the location of an executive's principal place of employment by more than ten miles. A change of duties prior to or following a change of control period will consist of a reduction in the rank of an executive's title as an officer of the Company, a reduction in an executive's base salary, or a material diminution in an executive's employee benefits and perquisites from those substantially similar to those provided to similarly situated executives.

A termination for cause generally means that an executive (i) has engaged in gross negligence, gross incompetence or willful misconduct in the performance of his duties; (ii) has materially breached any material provision of his employment agreement, corporate policy or code of conduct established by the Company; (iii) has willfully engaged in conduct that is materially injurious to the Company; (iv) has committed an act of

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fraud, embezzlement or willful breach of a fiduciary duty to the Company; (v) has been convicted of a crime involving fraud, dishonesty or moral turpitude or any felony; (vi) has refused, without proper reason, to perform his duties; or (vii) has used Company securities owned or controlled by the executive as collateral for a securities margin account.

An executive will have incurred a disability if, as a result of an executive's incapacity due to physical or mental illness, the executive has not been able to perform his full-time duties for a period of six consecutive months, and is unable to return to full-time employment within thirty days of receiving a notice of a termination.

A change of control is generally defined as: (i) a merger, consolidation, or the sale of all or substantially all of the Company's assets if (a) the holders of the Company's securities prior to the transaction no longer own more than 50% of the securities of the resulting company immediately following the transaction in essentially the same proportion that existed immediately prior to the transaction, or (b) the members of the Company's Board of Directors immediately prior to the transaction do not also constitute a majority of the board of directors of the resulting entity immediately after the transaction; (ii) the dissolution or complete liquidation of the Company; (iii) the date any person or entity acquires ownership or control of 50% or more of the combined voting power of the Company's outstanding securities; or (iv) the members of the Company's Board of Directors as of November 19, 2010, and certain individuals who become directors after such date with the approval of certain members of the Company's Board of Directors cease to constitute a majority of the board.

Potential Severance Benefits for Messrs. Leach, Wright, Giraud, Holderness and Hyde. In the event that one of these executive's employment is terminated due to his death or disability, the executive or his estate will receive a payment equal to his annual base salary, to be paid out in eighteen equal monthly installments (or twenty-four months in the case of Mr. Leach), as well as a lump sum payment thirty days after the termination that equals the pro-rated annual target bonus for the year in which the termination occurs.

If an involuntary termination occurs outside of a change of control period, the executive will continue to receive his base salary for eighteen months (or twenty-four months in the case of Mr. Leach) and the Company will reimburse him for up to twelve months for the amount by which the cost of his continued coverage under the Company's group health plans exceeds the employee contribution amount that the Company charges its active executives for similar coverage.

An involuntary termination within the change of control period, however, will trigger a severance payment equal to two times the sum of his annual base salary and average annual bonus. The average annual bonus will typically be calculated using the bonus with respect to the previous two years. The severance payments will either be paid in a single payment on the fifth day following the executive's termination of employment, subject to any delay required under Section 409A of the Code, or divided into eighteen monthly installments (or twenty-four monthly installments in the case of Mr. Leach), depending on the nature of the change of control. All of the executive's stock options and restricted stock awards will vest in full, and the Company will reimburse the executive for up to eighteen months for the amount by which the cost of his continued coverage under the Company's group health plans exceeds the employee contribution amount that the Company charges the Company's active executives for similar coverage. If any of the severance payments described in this paragraph or the preceding paragraph are not made when due, the Company shall also pay interest on the amount payable from the date it should have been made until such time as the payment is actually made, interest to be the prime or base rate of interest announced by JPMorgan Chase Bank (or any successor thereto) at its principal New York office.

The employment agreements do not provide for tax gross-up payments. If the total amount of payments to be provided by the Company in connection with a change of control would cause any of the named executive officers to incur golden parachute excise tax liability, then the payments provided under the employment agreement will be reduced to the extent necessary to eliminate the application of the excise tax if that will leave him in a better after-tax position than if no such reduction had occurred; this generally means that the full payment would be reduced to \$1.00 less than three times the executive's base amount (as defined in Section 280G of the Code).

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Restrictions and Conditions to Receiving Severance Benefits under the Employment Agreements. Each executive must execute and not revoke a general release agreement before receiving any severance or benefits pursuant to his employment agreement. The release shall discharge the Company and its affiliates, as well as officers, directors and employees of the Company and its affiliates, from any claims or judicial actions arising out of the executive's employment or termination of employment. The release must generally be executed and irrevocable within fifty-five days of the executive's termination of employment, or, if applicable, prior to the date on which any payment will be provided to the executive.

Section 409A of the Code can subject an executive to a 20% tax, in addition to normal income taxes, in the event that payments are not structured to be compliant with Section 409A of the Code and its regulations. If the executives are specified employees according to Section 409A of the Code at the time of their termination of employment, the payment of severance benefits may be delayed for a period of six months in order to remain in compliance with this Code section, despite the timing otherwise provided for in the employment agreements. This six month delay period will not be considered a late payment, however, for purposes of crediting late payments with interest as described above.

The named executive officers are also subject to non-compete and related restrictions. During the term of his employment agreement and for a period of one year following a termination of employment for any reason (the non-compete period), the executive may not hire, contract or solicit the Company's employees for his own benefit or for the benefit of any other person or entity, nor may he encourage any Company employee to leave the Company's employ for any reason. Within the geographical area or market where the Company is conducting (or within the twelve months prior to the executive's termination of employment, has conducted) business, the executive may not participate in the ownership, management, operation of or have any financial interest in a business that is similar to the Company or that is a competitor of the Company, attempt to solicit or divert the Company's customers or vendors, or call upon a prospective acquisition candidate on his own behalf or on behalf of another entity if the Company is also negotiating for that potential acquisition. However, in the event the executive resigns under circumstances that would not be considered an involuntary termination or either party provides written notice to the other that the term of the employment agreement will not automatically renew, then the post-employment restriction relating to the participation in the ownership, management, operation or financial interest in a competitive operation will only apply for a number of months (not in excess of twelve) selected by the Company and the Company must continue to pay the executive his base salary for the number of months, if any, selected by the Company.

Long-Term Incentive Plan. In addition to the restricted stock awards as noted within the executive employment agreements, certain restricted stock awards granted under the Company's Stock Incentive Plan also provide for the accelerated vesting of such awards in various termination of employment and change of control scenarios. While the named executive officers are generally granted time-based restricted stock awards under the Stock Incentive Plan that have a vesting period of four years, the occurrence of a termination of employment by reason of death or disability or the occurrence of an involuntary termination within the two year-period after a change of control will result in the full vesting of the restricted stock. The definitions for change of control and involuntary termination in the Stock Incentive Plan restricted stock award agreements are substantially similar to the corresponding terms as found in the employment agreements. The performance unit award agreement pursuant to which the performance units were granted to the named executive officers provides that, if employment is terminated during the performance period due to death, disability or such retirement, the recipient is entitled to receive payment with respect to his or her performance units based on actual performance for the performance period (which payment will be pro-rated in the event of retirement). In the event of a change of control of the Company during the performance period, the TSR relative to the Company's peer group and the Company's absolute annualized TSR will be determined based on actual performance as if the performance period ended on the date of the change of control, and outstanding performance units will be settled immediately following such date.

The table below summarizes potential payments to each named executive officer assuming that one of the events described in the table below occurs. The table assumes that the event occurred on December 31, 2013, when the closing price of the Company's common stock was \$108.00. The values below are the Company's best

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estimate of the severance payments and benefits the executives would receive upon a termination of employment or a change of control as of December 31, 2013, as a true value could not be determined with absolute certainty until an actual termination or change of control of the Company occurs. The Company has also assumed for purposes of these calculations that all payments were made in a timely manner and that no interest accrued on the original payment amount.

Name	Voluntary Termination ⁽¹⁾	Involuntary Termination Outside of a Change of Control Period ⁽²⁾	Involuntary Termination Within a Change of Control Period ⁽³⁾	Change of Control; No Termination ⁽⁴⁾	Termination Due to Death or Disability ⁽⁵⁾
Timothy A. Leach:					
Salary	\$ 850,000	\$ 1,700,000	\$ 1,700,000	\$	\$ 850,000
Bonus			2,355,000		850,000
Accelerated Equity			24,721,848	3,001,212	24,721,848
Continued Medical		21,155	31,732		
Total ⁽⁶⁾	\$ 850,000	\$ 1,721,155	\$ 28,808,580	\$ 3,001,212	\$ 26,421,848
E. Joseph Wright:					
Salary	\$ 500,000	\$ 750,000	\$ 1,000,000	\$	\$ 500,000
Bonus			1,117,750		500,000
Accelerated Equity			8,243,424	1,500,552	8,243,424
Continued Medical		21,155	31,732		
Total ⁽⁶⁾	\$ 500,000	\$ 771,155	\$ 10,392,906	\$ 1,500,552	\$ 9,243,424
C. William Giraud:					
Salary	\$ 425,000	\$ 637,500	\$ 850,000	\$	\$ 425,000
Bonus			806,250		318,750
Accelerated Equity			5,995,512	1,000,404	5,995,512
Continued Medical		20,003	30,004		
Total ⁽⁶⁾	\$ 425,000	\$ 657,503	\$ 7,681,766	\$ 1,000,404	\$ 6,739,262
Darin G. Holderness:					
Salary	\$ 425,000	\$ 637,500	\$ 850,000	\$	\$ 425,000
Bonus			829,875		318,750
Accelerated Equity			6,100,164	900,396	6,100,164
Continued Medical		21,108	31,662		
Total ⁽⁶⁾	\$ 425,000	\$ 658,608	\$ 7,811,701	\$ 900,396	\$ 6,843,914
Matthew G. Hyde:					
Salary	\$ 425,000	\$ 637,500	\$ 850,000	\$	\$ 425,000
Bonus			824,250		318,750
Accelerated Equity			6,050,268	900,396	6,050,268
Continued Medical		22,037	33,055		
Total ⁽⁶⁾	\$ 425,000	\$ 659,537	\$ 7,757,573	\$ 900,396	\$ 6,794,018

- (1) This column represents the amounts payable to the executive if he resigns under circumstances that would not be considered an involuntary termination or if either party to the employment agreement provides written notice to the other that the term of the employment agreement will not automatically renew. Under such circumstances, the employment agreements of Messrs. Leach, Wright, Giraud, Holderness and Hyde provide the Company with the option to choose the number of months in which to enforce certain post-employment non-compete provisions. The values disclosed in this column assume that the Company has chosen to enforce the non-compete provisions for the maximum allowable time period of twelve months, although these amounts would be lower in the event that the Company chooses a shorter period of time.

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- (2) The values in this column for **Salary** reflect the aggregate amount of continued monthly salary (as in effect on December 31, 2013) for Mr. Leach for a period of twenty-four months, for Messrs. Wright, Giraud, Holderness and Hyde, a period of eighteen months. The values in this column for **Continued Medical** include twelve months of continued coverage for each eligible executive and his dependents.
- (3) The values in this column for **Salary** reflect two times the executive's annual base salary as in effect on December 31, 2013. The values in this column for **Bonus** were calculated in accordance with the bonus provisions of each executive's employment agreement described above. The values in this column for **Accelerated Equity** for each individual include the accelerated value of unvested restricted stock and performance unit awards held by each executive as of December 31, 2013. The amounts in this column for **Continued Medical** include eighteen months of continued coverage for each executive and his dependents.
- (4) This column represents what each executive would receive upon a change of control on December 31, 2013 without a termination of employment. The values in this column for **Accelerated Equity** for each individual include the accelerated value of performance unit awards held by each executive as of December 31, 2013.
- (5) The values in this column for **Salary** represent the executive's annual salary (as in effect on December 31, 2013). The values in this column for **Bonus** include the executive's full target bonus for the 2013 year, as a proration was unnecessary for a termination on December 31, 2013. The values in this column for **Accelerated Equity** include the accelerated value of unvested restricted stock and performance unit awards and held by each executive as of December 31, 2013.
- (6) The total represents the maximum value of the payments and benefits that the executive would receive upon the occurrence of a change of control or the referenced termination of employment. However, if the total amount of payments and benefits to be provided to the executive would cause the executive to incur **golden parachute** excise tax liability, then any payments and benefits provided under the executive's employment agreement may be reduced to the extent necessary to eliminate the application of the excise tax if that will leave the executive in a better after-tax position than if no such reduction had occurred. Accordingly, the total value of the payments and benefits that the executive would receive under such circumstances may be less than the total reflected in the table.

COMPENSATION PROGRAMS AND RISK CONSIDERATIONS

The Company does not believe that its policies and practices of compensating its employees give rise to risks that are reasonably likely to have a material adverse effect on the Company. In making this determination, the Company considered the following:

The Company's compensation program for its executive officers provides a balanced mix of (i) cash and equity, (ii) annual and longer-term incentives and (iii) time-based and performance-based awards.

The Company's long-term incentive component of the program, which is intended to be the largest component of each executive officer's overall compensation package, is weighted towards long-term achievement, with vesting generally occurring either three or four years from the date of grant.

The Company's annual cash incentive award program for its executive officers is ultimately a subjective judgment made by the Compensation Committee, which considers the risks facing the Company and the market conditions at the time of the award.

The Board of Directors has established substantial stock ownership guidelines for the Company's directors and executive officers, as well as all other officers of the Company.

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All non-officer employees of the Company receive a significant equity award each year, which generally vest three years after the date of grant.

The Company sets proper ethical and moral expectations through its policies and procedures and provides various mechanisms for reporting issues.

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COMPENSATION COMMITTEE

INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Merriman, Easter and Tabor served as members of the Compensation Committee in 2013. During 2013, no member of the Compensation Committee served as an executive officer of the Company, and, except as described in Related Persons Transactions below, no such person had any relationship with the Company requiring disclosure herein. During 2013, there were no Compensation Committee interlocks with other companies.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The table below sets forth certain information regarding the beneficial ownership of common stock as of April 7, 2014, by (i) each person who is known by the Company to own beneficially more than 5% of the outstanding shares of common stock, (ii) each named executive officer of the Company, (iii) each director of the Company and (iv) all directors and executive officers as a group. Unless otherwise noted, the mailing address of each person or entity named below is One Concho Center, 600 West Illinois Avenue, Midland, Texas 79701.

Name of Beneficial Owner or Identity of Group	Number of Shares	Percentage of Class⁽¹⁾⁽²⁾
Capital World Investors ⁽³⁾	12,575,506	11.9%
T. Rowe Price Associates, Inc. ⁽⁴⁾	10,637,153	10.1%
Prudential Financial, Inc. ⁽⁵⁾	9,395,133	8.9%
The Vanguard Group ⁽⁶⁾	5,830,084	5.5%
BlackRock, Inc. ⁽⁷⁾	5,763,518	5.5%
Timothy A. Leach ⁽⁸⁾⁽⁹⁾⁽¹⁰⁾	1,079,753	1.0%
E. Joseph Wright ⁽⁸⁾⁽⁹⁾⁽¹¹⁾	193,548	*
C. William Giraud ⁽⁹⁾⁽¹²⁾	66,528	*
Darin G. Holderness ⁽⁹⁾⁽¹³⁾	76,164	*
Matthew G. Hyde ⁽⁸⁾⁽⁹⁾⁽¹⁴⁾	101,733	*
Steven L. Beal ⁽⁹⁾⁽¹⁵⁾⁽¹⁷⁾	149,699	*
Tucker S. Bridwell ⁽⁹⁾⁽¹⁶⁾⁽¹⁷⁾	128,068	*
William H. Easter III ⁽⁹⁾⁽¹⁷⁾	31,100	*
Gary A. Merriman ⁽⁹⁾⁽¹⁷⁾	7,080	*
Ray M. Poage ⁽⁹⁾⁽¹⁷⁾	19,100	*
Mark B. Puckett ⁽⁹⁾⁽¹⁷⁾	21,336	*
John P. Surma ⁽⁹⁾⁽¹⁸⁾	2,200	*
A. Wellford Tabor ⁽⁹⁾⁽¹⁷⁾⁽¹⁹⁾	17,500	*
All directors and executive officers as a group (15 persons) ⁽⁸⁾⁽⁹⁾⁽¹¹⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾⁽¹⁵⁾⁽¹⁶⁾⁽¹⁷⁾⁽¹⁸⁾⁽¹⁹⁾⁽²⁰⁾	1,971,407	1.9%

* Less than 1%.

(1) Based upon an aggregate of 105,237,144 shares outstanding as of April 7, 2014.

(2) Unless otherwise indicated, each stockholder has sole voting and investment power with respect to all shares of common stock indicated as being beneficially owned by such stockholder. In all instances where ownership of unvested restricted stock is reported below, the individual has the sole power to vote such shares but no investment power.

(3) According to Amendment No. 6 to a Schedule 13G, dated February 13, 2014, filed with the SEC by Capital World Investors, it has sole voting power and sole dispositive power over all of these shares. The address of Capital World Investors is 333 South Hope Street, Los Angeles, California 90071.

(4) According to Amendment No. 2 to a Schedule 13G, dated February 28, 2014, filed with the SEC by T. Rowe Price Associates, Inc. (Price Associates), the address of Price Associates is 100 E. Pratt Street, Baltimore, Maryland 21202. The securities shown as beneficially owned by Price Associates are owned by various individual and institutional investors, which Price Associates serves as an investment adviser with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

- ⁽⁵⁾ According to Amendment No. 2 to a Schedule 13G, dated January 29, 2014, filed with the SEC by Prudential Financial, Inc., it has sole voting and dispositive power over 524,209 of these shares, shared voting power over 5,836,255 of these shares and shared dispositive power over 8,870,924 of these shares. In addition, this amount also includes 9,387,248 shares beneficially owned by Jennison Associates LLC, a wholly owned subsidiary of Prudential Financial, Inc. According to an Amendment No. 2 to a Schedule 13G, dated February 6, 2014, filed with the SEC by Jennison Associates LLC, it has sole voting power over 6,352,579 of those shares, no voting power over the remainder, and

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shared dispositive power over all 9,387,248 of them. The address of Prudential Financial, Inc. is 751 Broad Street, Newark, New Jersey 07102, and the address of Jennison Associates LLC is 466 Lexington Avenue, New York, New York 10017.

- (6) According to a Schedule 13G, dated February 12, 2014, filed with the SEC by The Vanguard Group, it has sole voting power over 96,197 of these shares, no voting power over the remainder, shared dispositive power over 85,597 of these shares and sole dispositive power over 5,744,487 of these shares. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.
- (7) According to a Schedule 13G, dated January 28, 2014, filed with the SEC by BlackRock, Inc., it has sole voting power over 4,864,571 of these shares, no voting power over the remainder and sole dispositive power over all of these shares. The address of BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022.
- (8) The number of shares beneficially owned includes the following shares that are subject to stock options that were exercisable as of or will become exercisable within sixty days of April 7, 2014:

Holder	Shares
Timothy A. Leach	109,330
Matthew G. Hyde	48,007
E. Joseph Wright	4,363

- (9) Executive officer or director of the Company.
- (10) Includes 164,374 shares of unvested restricted stock. Also includes 148,582 shares owned directly by a partnership, of which Mr. Leach is the manager of its general partner. Mr. Leach disclaims beneficial ownership of these shares of common stock, except to the extent of his pecuniary interest therein.
- (11) Includes 63,954 shares of unvested restricted stock.
- (12) Includes 49,122 shares of unvested restricted stock.
- (13) Includes 48,611 shares of unvested restricted stock.
- (14) Includes 46,979 shares of unvested restricted stock.
- (15) Includes 50,000 shares owned directly by a partnership, of which Mr. Beal is the manager of its general partner. Mr. Beal disclaims beneficial ownership of these shares of common stock, except to the extent of his pecuniary interest therein.
- (16) Includes 20,000 shares owned by Mansefeldt Investment Corporation and 88,000 shares owned by the Dian Graves Owen Foundation. Mr. Bridwell disclaims beneficial ownership of all securities owned by Mansefeldt Investment Corporation and the Dian Graves Owen Foundation. Also includes 2,500 shares owned directly by a partnership, of which Mr. Bridwell is the manager of its general partner. Mr. Bridwell disclaims beneficial ownership of these shares of common stock, except to the extent of his pecuniary interest therein.

- (17) Includes 1,760 shares of unvested restricted stock.
- (18) Includes 1,200 shares of unvested restricted stock.
- (19) Includes 1,200 shares owned directly by a limited liability company, of which Mr. Tabor is the managing member. Mr. Tabor disclaims beneficial ownership of these shares of common stock, except to the extent of his pecuniary interest therein.
- (20) Includes an aggregate 432,344 shares of unvested restricted stock owned by all directors and executive officers of the Company.

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The executive officers and directors of the Company and persons who own more than 10% of the Company's common stock are required to file reports with the SEC, disclosing the amount and nature of their beneficial ownership in common stock, as well as changes in that ownership. Based solely on its review of reports and written representations that the Company has received, the Company believes that all required reports were timely filed during 2013.

RELATED PERSON TRANSACTIONS

The Board of Directors has determined that the Audit Committee will periodically review all related person transactions that the rules of the SEC require be disclosed in the Company's proxy statement, and make a determination regarding the initial authorization or ratification of any such transaction.

The Audit Committee is charged with reviewing the material facts of all related person transactions and either approving or disapproving of the Company's participation in such transactions under the Company's Related Persons Transaction Policy adopted by the Board of Directors ("RPT Policy") on November 7, 2012, which pre-approves certain related person transactions, including:

any employment of an executive officer if his or her compensation is required to be reported in the Company's proxy statement under Item 402;

director compensation which is required to be reported in the Company's proxy statement under Item 402; and

any transaction with an entity at which the related person's only relationship is as a director or manager (other than sole director or manager) or beneficial owner of less than 10% of the entity's equity, if the aggregate amount involved does not exceed the greater of \$1 million or 2% of the entity's annual revenues.

The Audit Committee Chairman may approve any related person transaction in which the aggregate amount involved is expected to be less than \$120,000. A summary of such approved transactions and each new related person transaction deemed pre-approved under the RPT Policy is provided to the Audit Committee for its review. The Audit Committee has the authority to modify the RPT Policy regarding pre-approved transactions or to impose conditions upon the ability of the Company to participate in any related person transaction.

There were no related person transactions during 2013 which were required to be reported in "Related Persons Transactions" where the procedures described above did not require review, approval or ratification or where these procedures were not followed.

Royalty Payment. The Company owns leases of certain mineral interests from a partnership in which Mr. Bridwell, one of the Company's directors, is the general partner and in which he holds a 3.5% interest. The Company paid royalties to the partnership of approximately \$7.26 million during the year ended December 31, 2013.

Consulting Agreement. On June 9, 2009, the Company entered into a Consulting Agreement (the "Consulting Agreement") with Mr. Beal, one of the Company's directors, under which Mr. Beal served as a consultant to the Company following his retirement as the Company's President and Chief Operating Officer on June 30, 2009. Pursuant to the Consulting Agreement, either the Company or Mr. Beal could terminate the consulting relationship at any time by giving 90 days written notice to the other party. During the term of the consulting relationship, Mr. Beal received a consulting fee of \$20,000 per month and a monthly reimbursement for his medical and dental coverage costs. Mr. Beal received \$140,000 of consulting fees and \$4,638 related to health care reimbursements pursuant to this Consulting Agreement in 2013. On August 13, 2013, the Company

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terminated the Consulting Agreement with Mr. Beal. In connection with terminating the Consulting Agreement, the Company paid Mr. Beal a lump sum cash payment in the amount of \$720,000 in exchange for Mr. Beal waiving all claims, rights, damages, or causes of action related to his consulting relationship with the Company.

Overriding Royalty Interests. Prior to the formation of Concho Equity Holdings Corp. in 2004, Messrs. Beal, Leach and Wright acquired working interests in 120 undeveloped acres located in Lea County, New Mexico. In connection with the formation of Concho Equity Holdings Corp., a predecessor of the Company, these working interests were sold to that company in November 2004 for \$120,000 in the aggregate, and Messrs. Beal, Leach and Wright each retained a 0.25% overriding royalty interest in any production attributable to this acreage. The Company made payments of approximately \$43,000 during the year ended December 31, 2013 attributable to such overriding royalty interests.

Tender Offer. On June 3, 2013, the Company received tenders and consents from the holders of approximately \$225.6 million in aggregate principal amount, or approximately 75.2 percent, of the Company's outstanding 8.625% senior notes due 2017 (the "8.625% Notes") in connection with a cash tender offer for any and all of the 8.625% Notes at a price of 106.922 percent of the unpaid principal amount. In connection with the tender offer for the 8.625% Notes, Messrs. Leach, Beal and Keenan received \$200,000, \$500,000 and \$475,000, respectively, for the 8.625% Notes they owned.

Demand Registration Rights. The Company is a party to a registration rights agreement with certain of its stockholders, including certain of the Company's executive officers and the former stockholders of Concho Equity Holdings Corp., which was later merged into a wholly-owned subsidiary of the Company. According to the registration rights agreement, holders of 20% of the aggregate shares held by the former stockholders of Concho Equity Holdings Corp. may request in writing that the Company register their shares by filing a registration statement under the Securities Act of 1933 (the "Securities Act"), so long as the anticipated aggregate offering price, net of underwriting discounts and commissions, exceeds \$50 million.

Piggy-back Registration Rights. If the Company proposes to file a registration statement under the Securities Act relating to an offering of the Company's common stock (other than on a Form S-4, a Form S-8 or a shelf registration on Form S-3), upon the written request of holders of registrable securities, the Company will use its commercially reasonable efforts to include in such registration, and any related underwriting, all of the registrable securities requested to be included, subject to customary cutback provisions. There is no limit to the number of these piggy-back registrations in which these holders may request their shares be included.

Registration Procedures and Expenses. The Company generally will bear the registration expenses incurred in connection with any registration, including all registration, filing and qualification fees, printing and accounting fees, but excluding underwriting discounts and commissions. The Company has agreed to indemnify the subject stockholders against certain liabilities, including liabilities under the Securities Act, in connection with any registration effected under the registration rights agreement. The Company is not obligated to effect any registration more than one time in any six-month period and these registration rights terminate on August 7, 2017.

ITEM THREE: ADVISORY VOTE TO APPROVE THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS

Executive compensation is an important matter to the Company, the Board of Directors and the Compensation Committee and the Company's stockholders. The Company is asking its stockholders to vote, on a non-binding, advisory basis, on a resolution approving the compensation of the Company's named executive officers as disclosed under "Compensation Discussion and Analysis" and the compensation tables and narrative discussion under "Executive Compensation" contained in this proxy statement.

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The Compensation Committee continuously reviews, evaluates and updates the Company's executive compensation programs to ensure that the Company provides rewards for individual performance, team achievements and corporate results and encourage an ownership mentality among the Company's executives and other key employees. The success of the Company and its ability to maximize stockholder value is dependent on its ability to attract, retain and motivate the best available talent in the energy industry. As such, the Compensation Committee views the Company's most important asset, its people, as an investment rather than an expense. Consequently, the Compensation Committee has developed overarching objectives for its executive compensation program, which are as follows:

attract, retain and motivate the best available talent in the energy industry;

align the interests of the Company's executive officers with those of its stockholders; and

pay for performance, whereby an executive officer's total compensation opportunity will be heavily influenced by the Company's performance, as well as the executive officer's individual performance.

To accomplish these objectives, the Company provides what it believes is a competitive total compensation package to the Company's executive officers through a combination of base salary, performance-based annual cash incentive awards, long-term equity incentive compensation and broad-based benefit programs.

The Board of Directors requests the support of the Company's stockholders for the compensation of the Company's named executive officers as disclosed in this proxy statement. This advisory vote to approve the compensation of the Company's named executive officers gives its stockholders the opportunity to make their opinions known about the Company's executive compensation programs. As the Company seeks to align the Company's executive compensation programs with the interests of its stockholders while continuing to retain key talented executives that drive the Company's success, it asks that its stockholders approve the compensation of the Company's named executive officers as disclosed in this proxy statement. Accordingly, for the reasons discussed above, the Board of Directors recommends that stockholders vote in favor of the following resolution:

RESOLVED, that the stockholders approve, on an advisory basis, the compensation philosophy and policies and the compensation of the named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including under "Compensation Discussion and Analysis" and the compensation tables and narrative discussion under "Executive Compensation" contained in the proxy statement.

This vote on the compensation of the Company's named executive officers is only advisory and not binding on the Company, the Board of Directors or the Compensation Committee. Although the outcome of this advisory vote on the compensation of the Company's named executive officers is non-binding, the Compensation Committee and the Board of Directors will review and consider the outcome of this vote when making future compensation decisions for the Company's named executive officers.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL ON AN ADVISORY BASIS OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS AS DISCLOSED UNDER "COMPENSATION DISCUSSION AND ANALYSIS" AND THE ACCOMPANYING COMPENSATION TABLES UNDER "EXECUTIVE COMPENSATION" CONTAINED IN THIS PROXY STATEMENT.

ADDITIONAL INFORMATION

Stockholder Proposals; Director Nominations

Any stockholder desiring to present a stockholder proposal at the Company's 2015 Annual Meeting of Stockholders and to have the proposal included in the Company's related proxy statement must send the proposal to the Company's Corporate Secretary at One Concho Center, 600 West Illinois Avenue, Midland, Texas 79701, so that it is received no later than December 23, 2014. All such proposals should be in compliance with SEC rules and regulations. The Company will only include in its proxy materials those stockholder proposals that it receives before the deadline and that are proper for stockholder action.

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In addition, in accordance with the Company's bylaws, any stockholder entitled to vote at the Company's 2015 Annual Meeting of Stockholders may propose business (other than proposals to be included in the Company's proxy materials as discussed in the preceding paragraph) to be included on the agenda of, and properly presented for action at, the 2015 Annual Meeting of Stockholders only if written notice of such stockholder's intent is given in accordance with the requirements of the Company's bylaws and SEC rules and regulations. Such proposal must be submitted in writing and addressed to the attention of the Company's Corporate Secretary at the address shown above, so that it is received between December 23, 2014 and January 22, 2015.

The Company's Nominating & Governance Committee will consider all director candidates recommended by any stockholder on the same basis as candidates recommended by the Board of Directors and other sources. The procedures to be followed by stockholders in submitting such recommendations is described in the Company's Policies and Procedures Relating to Disclosures Required by Item 407 of Regulation S-K, which is available on the Company's website at www.concho.com/governance.

Solicitation of Proxies

The solicitation of proxies by the Board of Directors will be conducted primarily by mail. In addition, officers, directors and employees of the Company may solicit proxies personally or by telephone, facsimile or electronic means. These officers, directors and employees will not receive any compensation for these services, but may be reimbursed for their reasonable expenses in forwarding solicitation material. The Company's transfer agent, American Stock Transfer & Trust Company, LLC (AST) and Broadridge Financial Solutions will assist the Company in the distribution of proxy materials and will provide voting and tabulation services for the Annual Meeting. For these services, the Company estimates that it will pay approximately \$75,000 in the aggregate for fees and expenses. In addition, the Company will reimburse brokers, custodians, nominees and fiduciaries for reasonable expenses incurred by them in forwarding proxy materials to stockholders of the Company. The costs of the solicitation, including the cost of the preparation, assembly, printing and mailing of this Proxy Statement, the proxy card and any additional information furnished to stockholders, will be borne by the Company.

Stockholder List

In accordance with the Delaware General Corporation Law, the Company will maintain at its corporate offices in Midland, Texas a list of the stockholders entitled to vote at the Annual Meeting. The list will be open to the examination of any stockholder, for purposes germane to the Annual Meeting, during ordinary business hours for ten days before the Annual Meeting.

Proxy Materials, Annual Report and Other Information

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON JUNE 5, 2014:

A COPY OF THE PROXY STATEMENT, THE FORM OF PROXY, THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2013 AND THE 2013 ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE FREE OF CHARGE AT www.concho.com/proxy.

The Company's Annual Report to Stockholders for the year ended December 31, 2013, is being mailed to stockholders concurrently with this Proxy Statement and does not form a part of the proxy solicitation material.

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC, will be sent to any stockholder without charge upon written request addressed to Concho Resources Inc., One Concho Center, 600 West Illinois Avenue, Midland, Texas 79701, Attention: General Counsel. A copy of this Proxy Statement and the Company's Annual Report to Stockholders will also be sent upon written or oral request to any stockholder of a shared address to which a single copy of this Proxy Statement or the Company's Annual Report to Stockholders was delivered. Requests may be made by writing to Concho Resources Inc., One Concho Center, 600 West Illinois Avenue, Midland, Texas 79701, Attention: General Counsel or by calling 432-683-7443.

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Internet and Phone Voting

For shares of stock that are registered in your name, you may vote by internet or phone using procedures provided by the Company's transfer agent, AST. Votes submitted by internet or phone must be received by 11:59 p.m., Eastern Time, on June 4, 2014. The giving of such a proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

The internet and phone voting procedures are designed to authenticate stockholder identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. Stockholders voting by internet should remember that the stockholder must bear costs associated with electronic access, such as usage charges from internet access providers and telephone companies.

For shares of stock that are registered in a street name (the stockholder owns shares in the name of a bank, broker or other holder of record on the books of the Company's transfer agent), you will receive instructions with your proxy materials that you must follow in order to have your shares voted. Please review your Proxy or voting instruction card to determine whether you can vote by phone or electronically.

* * * * *

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, YOU ARE URGED TO VOTE BY COMPLETING, SIGNING AND RETURNING YOUR PROXY CARD IN THE ENCLOSED POSTAGE-PAID, ADDRESSED ENVELOPE.

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2014 ANNUAL MEETING OF STOCKHOLDERS OF

CONCHO RESOURCES INC.

June 5, 2014

PROXY VOTING INSTRUCTIONS

INTERNET - Access **www.voteproxy.com** and follow the on-screen instructions or scan the QR code with your smartphone. Have your proxy card available when you access the web page.

TELEPHONE - Call toll-free **1-800-PROXIES** (1-800-776-9437) in the United States or **1-718-921-8500** from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

Vote online/phone until 11:59 PM EST the day before the meeting.

COMPANY NUMBER

MAIL - Sign, date and mail your proxy card in the envelope provided as soon as possible.

ACCOUNT NUMBER

IN PERSON - You may vote your shares in person by attending the Annual Meeting.

GO GREEN - e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via www.amstock.com to enjoy online access.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS:

The Annual Report, Notice of Meeting and Proxy Statement

are available at <http://www.concho.com/proxy>

i Please detach along perforated line and mail in the envelope provided **IF** you are not voting via telephone or the Internet. i

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF ALL DIRECTOR NOMINEES,

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FOR PROPOSALS 2 AND 3.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

		FOR	AGAINST	ABSTAIN
1. Election of Directors:		..	..	..
	NOMINEES:			
.. FOR ALL NOMINEES	.. Timothy A. Leach			
	.. William H. Easter III			
.. WITHHOLD AUTHORITY	.. John P. Surma			
.. FOR ALL NOMINEES				
.. FOR ALL EXCEPT				
(See instructions below)				
	2. To ratify the selection of Grant Thornton LLP as independent registered public accounting firm of the Company for the fiscal year ending December 31, 2014.	..	..	..
	3. Advisory vote to approve executive officer compensation (say-on-pay ).	..	..	..
	4.			
	In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.			

This proxy is solicited on behalf of the Board of Directors of the Company. This proxy, when properly executed, will be voted in accordance with the instructions given above. If no instructions are given, this proxy will be voted **FOR ALL NOMINEES** on the election of the director nominees, **FOR** proposals 2 and 3.

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder

Date:

Signature of Stockholder

Date:

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

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CONCHO RESOURCES INC.

2014 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 5, 2014

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints C. William Giraud, Darin G. Holderness and Matthew G. Hyde as proxies, each with full power of substitution, to represent and vote, as designated on the reverse side, all of the shares of Common Stock of Concho Resources Inc. held of record by the undersigned on April 7, 2014, at the 2014 Annual Meeting of Stockholders to be held at 10:00 a.m. Central Time at the Petroleum Club of Midland, 501 West Wall Street, Midland, Texas 79701, on June 5, 2014, or any adjournment or postponement thereof.

(Continued and to be signed on the reverse side)

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2014 ANNUAL MEETING OF STOCKHOLDERS OF

CONCHO RESOURCES INC.

June 5, 2014

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are available at <http://www.concho.com/proxy>

Please sign, date and mail

your proxy card in the

envelope provided as soon

as possible.

i Please detach along perforated line and mail in the envelope provided. i

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF ALL DIRECTOR NOMINEES,

FOR PROPOSALS 2 AND 3.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

		FOR	AGAINST	ABSTAIN
1. Election of Directors:		..	..	..
	NOMINEES:			
..	FOR ALL NOMINEES			
	.. Timothy A. Leach			
	.. William H. Easter III			
	.. John P. Surma			
..	WITHHOLD AUTHORITY			
	FOR ALL NOMINEES			
..	FOR ALL EXCEPT			
2.	To ratify the selection of Grant Thornton LLP as independent registered public accounting firm of the Company for the fiscal year ending December 31, 2014.
3.	Advisory vote to approve executive officer compensation (say-on-pay).
4.				

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(See instructions below)

In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

This proxy is solicited on behalf of the Board of Directors of the Company. This proxy, when properly executed, will be voted in accordance with the instructions given above. If no instructions are given, this proxy will be voted **FOR ALL NOMINEES** on the election of the director nominees, **FOR** proposals 2 and 3.

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ..

Signature of Stockholder

Date:

Signature of Stockholder

Date:

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

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