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COMPENSATION PARTNERS

Trends in Energy Industry Board of Director Compensation

December 2009

The role of the independent director is becoming increasingly complex, time-consumng and risky. Since 2001, director compensation has been increasing steadily to reflect the extra time, risk and qualifications required of independent directors. The recent scandals and collapse of large financial institutions has increased the spotlight on independent directors. While energy companies are not the center of recent recession, they are a target for critics in the broader economic crisis.

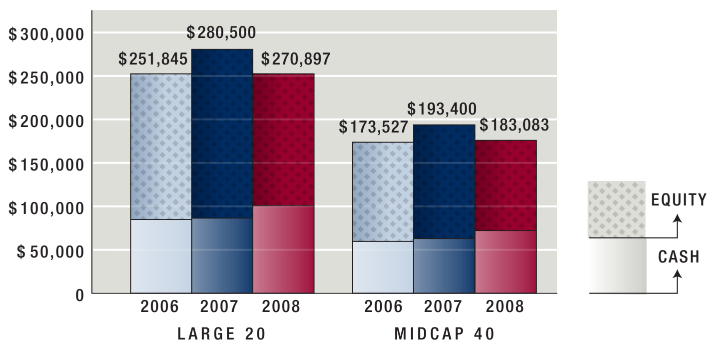
Cogent Compensation Partners has provided this timely review of director compensation in the energy industry because of our conviction that the need for high quality directors has never been greater, while the attraction of qualified directors has never been more difficult. At the same time, public criticism of directors is increasing, further challenging the definition of appropriate compensation for independent directors.

The following summary describes the results of Cogent's annual review of directors' compensation in the energy industry. We analyzed the levels of compensation and program changes from 2006, 2007 and 2008 in director compensation at 60 US public energy companies that operate in one or more fields of exploration and production, drilling, and oilfield services. The 60 companies were separated into two groups by size, the Large 20 with a median revenue of $12.3 billion and the Midcap 40 with a median revenue of $1.6 billion.

Total Compensation

Median total director compensation decreased 3.5% for the Large 20 and 5.3% for the Midcap 40 between 2007 and 2008. This decrease is a result of the decline in the stock market in 2008, resulting in a lower valuation of director equity awards.

MEDIAN TOTAL DIRECTOR COMPENSATION



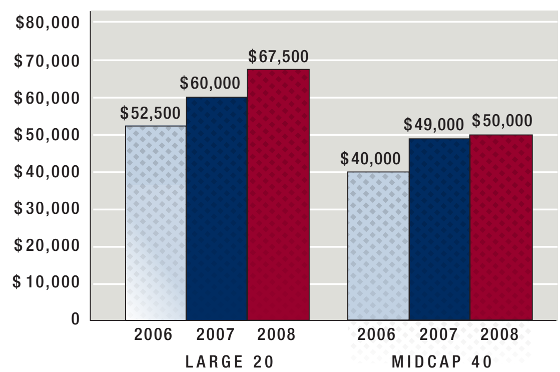
Board Service Cash Compensation

Annual Retainers

All 60 companies pay directors an annual retainer for their board service. This retainer is generally paid in cash, but some companies offer directors the opportunity to take the retainer in company stock.

The median annual retainer for the Large 20 increased 12.5%, only slightly less than the increase from the previous year. However, the retainer for the Midcap 40 increased only 2% between 2007 and 2008, a significant difference from the 23% increase between 2006 and 2007.

MEDIAN ANNUAL RETAINERS



Board Meeting Fees

There continues to be a slow shift away from paying meeting fees, but it appears the shift is beginning to moderate and payment of board meeting fees is still the most prevalent approach. Sixty-percent of the Large 20 paid meeting fees in 2007, while 55% paid them in 2008. The percentage of companies paying meeting fees in the Midcap 40 remained flat at 68%.

Median meeting fees remained flat year over year for the Large 20 at $2,000 and increased from $1,500 to $2,000 for the Midcap 40.

2008 BOARD MEETING FEES

	Large 20	Midcap 40
Prevalence	55%	68%
Median Meeting Fee	$2,000	$2,000

Committee Service Cash Compensation

Member Retainers and Meeting Fees

Committee compensation is delivered via fixed retainers and meeting fees. A majority of companies pay meeting fees with the prevalence and amount virtually unchanged from the previous year. See the adjacent chart.

Similar to the previous year, about one-quarter of companies in the study pay a committee retainer. About half of those within both groups paying a committee retainer also pay meeting fees.

2008 COMMITTEE MEETING FEES

	Large 20	Midcap 40
Prevalence	55%	65%
Median Meeting Fee	$2,000	$1,500

Chair Retainers

Similar to 2007, 85% in both groups pay one or more committee chairs a retainer. The median retainers shown in the adjacent chart are unchanged from the previous year, except for the Large 20 compensation committee chair which increased from $10,000 to $15,000.

2008 MEDIAN COMMITTEE CHAIR RETAINERS

	Large 20	Midcap 40
Audit	$20,000	$15,000
Compensation	$15,000	$10,000
Other	$10,000	$8,000

Equity Compensation

Fixed Share versus Value Based Awards

There was modest movement in 2008 away from granting equity on a "fixed share number" basis to an equity value basis, where the number of shares or options granted each year can fluctuate based on the current stock price at the time of grant. Granting on a fixed share basis is still the most prevalent with about 55% of both the Large 20 and Midcap 40 utilizing the approach (in 2007 the prevalence was closer to 60% for both groups).

Restricted Stock versus Stock Options

The movement away from stock options to more full value awards has also moderated with the majority already granting restricted stock only, and a much smaller percentage granting a combination of restricted stock and stock options. The prevalence of equity vehicles is shown in the adjacent chart.

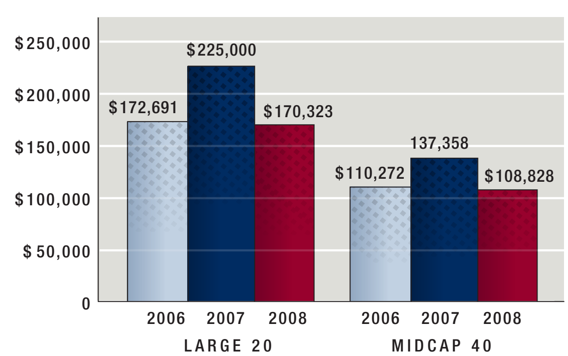
2008 PREVALENCE OF EQUITY AWARDS BY VEHICLE

	Large 20	Midcap 40
Restricted Stock Only	75%	73%
Both Restricted Stock & Stock Options	25%	15%
Stock Options Only	0%	10%
None	0%	3%

Equity Value

Overall, equity values decreased by 24% and 21% for the Large 20 and Midcap 40, respectively. This decrease is a result of declining stock prices used to value the "fixed share" grants, rather than an actual decrease in the compensation program.

MEDIAN TOTAL EQUITY COMPENSATION



About Cogent Compensation Partners

Cogent Compensation Partners is a leading provider of objective and expert advice on the subject of executive compensation, corporate governance and the linkage between company performance and executive pay.

Our executive compensation consultants assist in driving together the various interests involved in the executive pay debate: employees, shareholders, institutions, and other stakeholders. Our services include compensation committee advisory, incentive plan design, compensation strategy development, board of director compensation analysis, executive compensation related shareholder proposal assistance and stock ownership guidelines development.

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