

Results of Cogent Compensation Partners' Energy Industry Survey of Compensation Trends and the Economic Climate

Cogent Compensation Partners conducted an energy industry trends survey in April of 2009 to examine compensation practices changes in light of the recent economic climate. Energy companies operating primarily in the exploration and production, drilling and services segments responded to questions about base salary, bonus and long-term incentives for all levels of employees in their organization. The following is a high level summary of the results.

The survey revealed the majority of energy industry companies who responded are either freezing or slightly increasing base salaries at all levels. The overall median merit/COLA salary budget for 2009 is 3% while the overall median promotional salary budget is 2%. The vast majority of companies did not reduce bonus payouts for 2009, based on 2008 performance.

Cogent found participation in long-term incentive programs has remained constant. Approximately one-third of respondents made adjustments to their approach for calculating long-term incentive awards, based on dilution constraints. The approaches reported include awarding the same number of shares as the previous year or reducing the calculated number of shares to award (as determined based on a target award dollar value). A vast majority of companies are not considering actions to address underwater stock options.

The full survey results were distributed to participants in late April.

Cogent is committed to serving the energy industry and plans to continue conducting targeted surveys and research studies for the industry. If you have questions about this Alert or would like to participate in or make a suggestion for a future survey, please contact us:

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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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