

EVOLUTION PETROLEUM CORP  
Form DEF 14A  
October 28, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**  
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

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

EVOLUTION PETROLEUM CORPORATION  
(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.
  - (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:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:

(4)

Date Filed:

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**EVOLUTION PETROLEUM CORPORATION**

**2500 CityWest Boulevard, Suite 1300**

**Houston, Texas 77042**

To the Stockholders of Evolution Petroleum Corporation:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Evolution Petroleum Corporation. The meeting will be held at the Company's offices at 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042 at 10 a.m. Central Time, on Wednesday, December 9, 2009. If you plan to attend, please notify the Corporate Secretary at (713) 935-0122.

The Notice of Meeting and the Proxy Statement on the following pages cover the formal business of the meeting, which includes two items to be voted on by our stockholders. At the Meeting, I will also report on the Company's current operations and will be available to respond to questions from stockholders. Recording devices will not be permitted in the meeting.

Whether or not you plan to attend the meeting, it is important that your shares be represented and voted at the meeting. You are urged, therefore, to complete, sign, date and return the enclosed proxy card (or use telephone or internet voting procedures, if offered by your broker), even if you plan to attend the meeting.

Thank you for your continued interest in Evolution Petroleum Corporation.

Sincerely,

/s/ Robert S. Herlin

*Robert S. Herlin*

*Chairman, President and Chief Executive Officer*

Houston, Texas  
October 28, 2009

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**EVOLUTION PETROLEUM CORPORATION**

**2500 CityWest Boulevard, Suite 1300**

**Houston, Texas 77042**

**(713) 935-0122**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held December 9, 2009**

Dear Stockholder:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders (the Annual Meeting ) of Evolution Petroleum Corporation, a Nevada corporation (the Company ), which will be held on December 9, 2009 at 10 a.m. Central Time, at the Company s principal executive offices at 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042. The Annual Meeting will be held for the following purposes:

- (1) To elect six directors to serve until the 2010 Annual Meeting of Stockholders, or until their successors are duly elected and qualified;
- (2) To ratify the appointment of Hein & Associates, LLP as independent auditors of the Company for the fiscal year ending June 30, 2010; and
- (3) To transact such other business as may properly come before the Annual Meeting or any postponement(s) or adjournment(s) thereof.

Only those stockholders of record at the close of business on October 23, 2009 are entitled to notice of, and to vote at the Annual Meeting or any postponement(s) or adjournment(s) thereof, notwithstanding the transfer of any shares after such date. If you were a stockholder at the close of business on October 23, 2009, you are entitled to vote.

**Whether or not you expect to attend the Annual Meeting, we ask that you sign and return the enclosed proxy as promptly as possible to ensure that your shares will be represented. A self-addressed envelope has been enclosed for your convenience. If you attend the meeting you may withdraw any previously given proxy and vote your shares in person.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR  
THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 9, 2009**

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The attached proxy statement and proxy card, and our Annual Report on Form 10-K for the year ended June 30, 2009, are also available on the Company's website [www.evolutionpetroleum.com](http://www.evolutionpetroleum.com). From the homepage, link through the *Investor Relations* page to the *Proxy Materials* page. Directions to attend the Annual Meeting and vote in person are also available on our website. From the homepage, link to *Contact* where you will find a link to a map to our Houston office.

By Order of the Board of Directors,

/s/ Sterling H. McDonald  
*Sterling H. McDonald*  
*Vice President, Chief Financial Officer*  
*and Treasurer*

Houston, Texas  
October 28, 2009

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**EVOLUTION PETROLEUM CORPORATION**

**2500 CityWest Boulevard, Suite 1300**

**Houston, Texas 77042**

**(713) 935-0122**

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**PROXY STATEMENT**

**FOR ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held December 9, 2009**

**GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

This Proxy Statement accompanies the Notice (the "Notice") of the Annual Meeting of Stockholders (the "Annual Meeting") of Evolution Petroleum Corporation, a Nevada corporation (hereinafter, "us", "we", "our" or the "Company"), in connection with the solicitation of proxies by and on behalf of our Board of Directors for use at our Annual Meeting to be held at 10 a.m., Central Time, at our Company's principal executive offices at 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042, on December 9, 2009, and at any postponement(s) or adjournment(s) thereof.

The Company's Annual Report for the fiscal year ended June 30, 2009 is being mailed to stockholders with the mailing of the Notice of Meeting and Proxy Statement. This Proxy Statement and the accompanying proxy card are first being sent to our stockholders on or about November 2, 2009.

The solicitation of proxies by the Board of Directors will be conducted primarily by mail. The Company has retained Continental Stock Transfer & Trust Company ("CST") to assist in the solicitation of proxies in connection with the Annual Meeting, as part of CST's services as the Company's transfer agent. In addition, officers, directors and employees of the Company may solicit proxies personally or by telephone, email, or facsimile communication. These officers, directors and employees will not receive any compensation for these services. The Company will reimburse brokers, custodians, nominees, and fiduciaries for reasonable expenses incurred by them in forwarding proxy material to beneficial owners of common stock of the Company. The costs of solicitation will be borne by the Company.

**What is the purpose of the 2009 Annual Meeting?**

At the 2009 Annual Meeting, stockholders will act upon the matters outlined in the attached Notice of Meeting and described in detail in this Proxy Statement, which are: (1) the election of six directors to the Board of Directors of the Company; (2) the ratification of the appointment of Hein & Associates LLP as our independent auditors for the fiscal year ending June 30, 2010; and (3) to transact such other business as may properly come before the Annual Meeting or any postponement(s) or adjournment(s) thereof. In addition, Company management will report on our performance during the fiscal year ended June 30, 2009, which we refer to as fiscal 2009, and respond to questions from stockholders.

Although the Board does not anticipate that any other matters will come before the 2009 Annual Meeting, your executed proxy gives the official proxies the right to vote your shares at their discretion on any other matter properly brought before the Annual Meeting.

**Who is entitled to vote at the 2009 Annual Meeting?**

Only stockholders of record at the close of business on October 23, 2009 (the Record Date ) will be entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) or postponement(s) thereof.

**What are the voting rights of the holders of our common stock?**

Holders of our common stock are entitled to one vote per share with respect to each of the matters to be presented at the Annual Meeting. With regard to the election of directors, the six nominees receiving the greatest number of votes cast will be elected provided a quorum is present. On each other matter to be presented, the affirmative vote of a majority of the shares represented at the Annual Meeting and entitled to vote will be necessary to approve the matter.

Abstentions will be counted towards the tabulation of votes cast on matters properly presented to the stockholders (except the election of directors) and will have the same effect as negative votes. Broker non-votes will not be counted as votes cast and, therefore, will have no effect on the outcome of the matters presented at the Annual Meeting.

**What constitutes a quorum?**

Our Bylaws provide that the presence, in person or by proxy, of the holders of a majority of outstanding shares of our common stock at our Annual Meeting shall constitute a quorum.

For the purpose of determining the presence of a quorum, proxies marked `withhold authority` or `abstain` will be counted as present. Shares represented by proxies that include broker non-votes will also be counted as shares present for purposes of establishing a quorum. On the Record Date there were 26,993,138 shares of our common stock (including restricted shares) issued and outstanding and such shares are the only shares entitled to vote at the Annual Meeting.

**What are the Board's recommendations?**

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board's recommendations are set forth together with the description of the Proposals in this Proxy Statement. In summary, the Board recommends a vote **FOR** election of each of the six directors named in this Proxy Statement to the Board of Directors (see Proposal I) and a vote **FOR** the ratification of the appointment of Hein & Associates LLP as our independent auditors for the year ending June 30, 2010 (See Proposal II).

The proxy holders will vote in their discretion with respect to any other matter that may properly come before the Annual Meeting.

**Proxies**

If the enclosed proxy card is executed, returned in time and not revoked, the shares represented thereby will be voted at the Annual Meeting and at any postponement(s) or adjournment(s) thereof in accordance with the instructions indicated on such proxy. **IF NO INSTRUCTIONS ARE INDICATED ON THE PROXY CARD, THE OFFICIAL PROXIES WILL VOTE (1) FOR THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT AND (2) AS TO ANY OTHER MATTERS PROPERLY BROUGHT BEFORE THE ANNUAL MEETING OR ANY POSTPONEMENT OR ADJOURNMENT THEREOF, IN THE SOLE DISCRETION OF THE PROXY HOLDERS.**

A stockholder who has returned a proxy card may revoke it at any time prior to its exercise at the Annual Meeting by (i) giving written notice of revocation to our Corporate Secretary, (ii) properly submitting to Evolution Petroleum Corporation a duly executed proxy bearing a later date, or (iii) appearing at the Annual Meeting and voting in person. All written notices of revocation of proxies should be addressed as follows: Evolution Petroleum Corporation, 2500 CityWest Boulevard, Suite 1300 Houston, Texas 77042, Attention: Corporate Secretary.



**PROPOSAL I**

**ELECTION OF DIRECTORS**



**The Board of Directors**

Our directors are elected annually by the stockholders to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified. The minimum number of directors is established by our Bylaws, and may be increased by the majority vote of the Board of Directors. The current authorized number of directors is six. Assuming the presence of a quorum, a plurality of the votes cast in person or by proxy at the Annual Meeting is required for the election of each director.

**Director Nominees**

All six nominees are currently serving as directors of the Company. There are five independent directors serving on our Board as defined in the listing standards of the NYSE Amex. All six of our incumbent directors are standing for re-election.

Name	Age	Principal Occupation and Directorships
Robert S. Herlin	54	Mr. Herlin, a co-founder of our Company, has been President, Chief Executive Officer and a Director since May 2004. Mr. Herlin was elected Chairman of the Board of Directors in January 2009. Prior to the merger of Natural Gas Systems, Inc. ( <i>Old NGS</i> ) into our company, Mr. Herlin served as President, Chief Executive Officer and Director of Old NGS since its inception in September 2003. He is responsible for our operations and strategy. Mr. Herlin has 27 years of experience in engineering, energy transactions, operations and finance with small independents, larger independents and a major integrated oil companies. Since 2003, Mr. Herlin has also served as a Partner with Tatum CFO, a financial advisory firm that provides executive officers on a part-time or full-time basis to clients, where he has been assigned as a fulltime executive officer of our company. From 2001 to 2003, Mr. Herlin served as Senior Vice President and Chief Financial Officer of Intercontinental Towers Corporation, an international wireless infrastructure company. Mr. Herlin also serves on the Board of Directors of Boots and Coots, Inc., an oil field services company. Mr. Herlin graduated with honors from Rice University with B.S. and M.E. degrees in chemical engineering and earned an MBA from Harvard University.
Laird Q. Cagan	51	Mr. Cagan, a co-founder of the Company, has served as a director on our Board of Directors since May 2004 and as Chairman of the Board from May 2004 to January 2009. Mr. Cagan is a co-founder and Managing Director of Cagan McAfee Capital Partners, LLC ( <i>CMCP</i> ), a merchant bank based in Cupertino, California. From 2004 until 2008, Mr. Cagan was a Managing Director of Chadbourn Securities, Inc. (member FINRA/SIPC). In 2008 Chadbourn was absorbed by Colorado Financial Services Corporation (member FINRA/SIPC) at which time Mr. Cagan became a registered representative and principal of Colorado Financial Services Corporation. He holds his Series 7, 63, and 24 licenses. He also continues to serve as President of Cagan Capital, LLC, a merchant bank he formed in 1990, the operation of which transitioned into CMCP. Mr. Cagan serves on the Boards of Directors of Fortes Financial Corporation and Career College Holding Co. Mr. Cagan attended M.I.T. and received his B.S. and M.S. degrees in engineering and his MBA from Stanford University.
William E. Dozier	57	Mr. Dozier has served as a director of our company since December 2005 and serves as the Chairman of our Compensation Committee. Since 2005, Mr. Dozier has been an independent oil and gas consultant. From 1992 to 2005, Mr. Dozier served as Vice President of Operations, and most recently as Senior Vice President for Business Development, for Vintage Petroleum, a large publicly traded independent oil and gas company acquired by Occidental Petroleum. From 1983 to 1992, he was Manager of Operations Engineering for Santa Fe Minerals. Mr. Dozier began his career with Amoco Production in 1975, working in all phases of production, reservoir evaluations, drilling and completions in the Mid-Continent and Gulf Coast areas. Since May 2009, Mr. Dozier has served on the Board of Directors of Pacific Asia Petroleum. He is a licensed petroleum engineer with a B.S. Degree in Petroleum Engineering from the University of Texas.
Gene G. Stoever	71	Mr. Stoever has served as a director of our company since May 2004 and serves as the



Chairman of our Audit Committee. In 1993, Mr. Stoever retired from KPMG Peat Marwick after 32 years of service, including 24 years as a partner. Since 1994, he has been an independent consultant. From 1999 to 2004, Mr. Stoever served as a trustee of the Sterling Diagnostic Imaging and SDI Liquidating Trust, from 2001 to 2005 he served as a Director of Exopack, LLC and from 2004 to 2009 he served as Director of Propex, Inc. He presently serves as director and Chairman of the Audit Committee for Orion Marine Group, Inc. Mr. Stoever earned his B.B.A. degree in accounting with honors from the University of Texas at Austin and is a Certified Public Accountant in the State of Texas.

Edward J. DiPaolo 56 Mr. DiPaolo has served as a director of our company since May 2004 and serves as the Chairman of our Nominating Committee. Since 2003, Mr. DiPaolo has served as an Energy Advisor to Growth Capital Partners, L.P., an investment banking company. From 2002 to the present, Mr. DiPaolo has served as an independent energy producer. From 1976 to 2002, Mr. DiPaolo was with the Halliburton Company, most recently as Group Senior Vice President of Global Business Development, where he was responsible for the management of overall customer relationships with the companies within Halliburton's upstream businesses, including Halliburton Energy Services, Brown and Root Energy Services, and Landmark Graphics and Wellstream. Previously, Mr. DiPaolo was the North American Regional Vice President and Far East Regional Vice President for Halliburton, accountable for the overall operation of Halliburton Energy Services in those regions. Mr. DiPaolo also serves on the Board of Directors of Boots and Coots, Inc., Superior Well Services, Willbros Group, Inc, and Edgen Murray Corporation. He received his undergraduate degree in agricultural engineering from West Virginia University in 1976 where he currently serves on the Advisory Board of the College of Engineering.

Kelly W. Loyd 36 Mr. Loyd has served as a director of our company since December 2008. Since 2004, Mr. Loyd has been employed by JVL Advisors, LLC, a private energy investment company that is a major stockholder of our company. From 2001 to 2004, Mr. Loyd was an associate in the energy corporate finance investment banking group at RBC Capital Markets and Howard Frazier Barker Elliot. Previously, Mr. Loyd served as a founder and controller of L.A.B. Sports and Entertainment, a sports/entertainment promotion and production company, a Managing Partner of Tigre Leasing, L.L.P, a commercial real estate company focused on the purchase/sale of resort properties, and as an analyst in Jefferies and Company, Inc.'s energy corporate finance investment banking group. Mr. Loyd received a B.S. in Economics with Finance Applications from Southern Methodist University and earned an MBA from Rice University.

We believe that the nominees will be available and able to serve as directors. In the event that a nominee is unable to serve, the proxy holders will vote the proxies for such other nominee as they may determine.

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

**PROPOSAL II****PROPOSAL TO RATIFY THE APPOINTMENT OF****HEIN & ASSOCIATES LLP AS OUR COMPANY'S AUDITORS**

The Audit Committee of our Board of Directors has appointed the firm of Hein & Associates LLP as our company's independent auditors to audit our consolidated financial statements for the fiscal year ending June 30, 2010. From June 30, 2004 through June 30, 2009, Hein & Associates LLP served as our independent auditors.

We are not required to seek stockholder approval for the appointment of our independent auditors; however, the Audit Committee and the full Board of Directors believe it to be sound corporate practice to seek such approval. If the appointment is not ratified, the Audit Committee will investigate the reasons for stockholder rejection and will re-consider the appointment. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of our company and our stockholders.

**Independent Public Auditors**

Aggregate fees billed to us for professional services by Hein & Associates LLP during the fiscal years ended June 30, 2009 and 2008 were as follows:

	2009		2008
Audit Fees	\$ 86,355	\$	101,255
Audit-Related Fees	\$ 2,500	\$	1,255
Tax Fees	\$ 5,882	\$	85,204

In the above table, in accordance with the SEC's definitions and rules, "audit fees" are fees we paid Hein & Associates LLP for professional services for the audit of our consolidated financial statements included in our Form 10-K, the review of financial statements included in our Form 10-Q's and for services that are normally provided by the auditors in connection with statutory and regulatory filings or engagements.

"Audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. "Tax fees" are fees primarily for assistance with an IRS field audit and subsequent revised tax filings associated with prior year tax returns prepared by Hein before fiscal 2008. With this exception, Hein has not provided us with tax compliance, tax advice or tax planning services since fiscal year 2007.

All audit related services and tax fees were pre-approved by our Audit Committee Chairman.

The Audit Committee has considered the compatibility of the non-audit services provided by Hein & Associates LLP, to Hein & Associates continued independence and has concluded that its independence is not compromised. In order to strengthen Hein's independence, and to streamline the approval process for non-audit services, we have retained Grant Thornton LLP to replace Hein & Associates' tax compliance, tax advice and tax planning services starting in fiscal 2008.

**Pre-Approval of Services by External Auditor**

The Audit Committee has adopted policies and procedures for the pre-approval of the audit and non-audit services performed by the independent auditors in order to ensure that the provision of such services does not impair the auditors' independence. The Audit Committee approves all audit fees and terms for all services provided by the independent auditors and consider whether these services are compatible with the auditors' independence. The Chairman of the Audit Committee may approve additional proposed services that arise between Committee meetings provided that the decision to approve the service is presented at the next scheduled Committee meeting. All non-audit services provided by the independent auditors must be pre-approved by the Audit Committee Chairman prior to the engagement. The Audit Committee pre-approved all audit and permitted non-audit services by Hein & Associates LLP in fiscal 2009.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF HEIN & ASSOCIATES LLP AS OUR INDEPENDENT AUDITORS FOR FISCAL YEAR 2010.**

Representatives of Hein & Associates LLP will be present at the Annual Meeting and will have an opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Based solely upon information made available to us, the following table sets forth information with respect to the beneficial ownership of our common stock as of October 23, 2009 (except as otherwise indicated) by (1) each person who is known by us to beneficially own more than five percent of our common stock (based solely on our review of SEC filings); (2) each of our directors; (3) each of the named executive officers listed in the Summary Compensation Table below under the caption Executive Compensation ; and (4) all executive officers and directors as a group. Shares of common stock that are subject to outstanding options and warrants that are presently exercisable or exercisable within 60 days are deemed to be outstanding for purposes of computing the percentage ownership of the holder of the options and warrants, but not for any other. The number of shares beneficially owned by a person also includes restricted shares held by such person. Except as otherwise indicated in the footnotes, the owners listed below have sole voting and investment power with respect to all shares of common stock beneficially owned by them, subject to community property laws where applicable, and the address of each beneficial owner listed on the table is c/o Evolution Petroleum Corporation, 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042.

Name and Address of Beneficial Owner	Amount and nature of beneficial ownership	Percent of class (1)
Robert S. Herlin (2)	2,733,417	9.6%
Sterling H. McDonald (3)	1,058,176	3.8%
Daryl V. Mazzanti (4)	908,379	3.3%
Laird Q. Cagan (5)	295,921	1.1%
Edward J. DiPaolo (6)	229,047	*
William E. Dozier (7)	176,047	*
Gene G. Stoever (8)	229,047	*
Kelly W. Loyd (9)		*
All executive officers and Directors as a group (eight persons) (2)(3)(4)(5)(6)(7)(8)(9)	5,630,034	18.1%
Eric A. McAfee, P2 Capital LLC and McAfee Capital LLC (10)	4,401,700	16.3%
Peninsula Capital Management, L.P. (11)	2,457,469	9.1%
John Lovoi (12)	4,337,510	16.1%
River Road Asset Management, LLC (13)	2,544,865	9.4%
Advisory Research Energy Fund, L.P. (14)	1,397,994	5.2%

\* Indicates less than 1% of the outstanding Common Stock.

\* Indicates less than 1% of the outstanding Common Stock.



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- (1) Based on 26,993,138 shares outstanding on October 23, 2009.
- (2) Includes (i) 1,054,438 shares directly held by Mr. Herlin; (ii) 92,351 shares of restricted stock directly held by Mr. Herlin; and (iii) 1,586,628 shares which are issuable upon exercise of options and warrants that are presently exercisable or exercisable within 60 days.
- (3) Includes (i) 29,180 shares directly held by Mr. McDonald; (ii) 45,515 shares of restricted stock directly held by Mr. McDonald; and (iii) 983,481 shares which are issuable upon exercise of options and warrants that are presently exercisable or exercisable within 60 days.
- (4) Includes (i) 60,633, shares directly held by Mr. Mazzanti, (ii) 45,515 shares of restricted stock directly held by Mr. Mazzanti; and (iii) 802,231 shares which are issuable upon exercise of options and warrants that are presently exercisable or exercisable within 60 days.
- (5) Includes (i) 14,000 shares directly held by Mr. Cagan; (ii) 40,113 shares of restricted stock directly held by Mr. Cagan; (iii) 159,308 shares that Mr. Cagan currently has the right to acquire pursuant to warrants that are presently exercisable; and (iv) 82,500 shares out of a total of 165,000 shares that Cagan McAfee Capital Partners, LLC (an entity in which Mr. Cagan owns a 50% interest and shares voting and dispositive power) currently has the right to acquire pursuant to warrants that are presently exercisable. Mr. Cagan's address is: c/o Cagan McAfee Capital Partners, LLC, 20400 Stevens Creek Boulevard, Suite 700, Cupertino, California 95014.
- (6) Includes (i) 21,047 shares directly held by Mr. DiPaolo; (ii) 30,000 shares of restricted stock directly held by Mr. DiPaolo; and (iii) 178,000 shares which are issuable upon exercise of options that are presently exercisable or

exercisable within 60 days.

- (7) Includes (i) 21,047 shares directly held by Mr. Dozier; (ii) 30,000 shares of restricted stock directly held by Mr. Dozier; and (iii) 125,000 shares which are issuable upon exercise of options that are presently exercisable or exercisable within 60 days.
- (8) Includes (i) 21,047 shares directly held by Mr. Stoever; (ii) 30,000 shares of restricted stock directly held by Mr. Stoever; and (iii) 178,000 shares which are issuable upon exercise of options that are presently exercisable or exercisable within 60 days.
- (9) Mr. Loyd is employed by JVL Advisors, LLC, an entity controlled by John Lovoi. Mr. Loyd does not have beneficial ownership of any shares beneficially owned by JVL Advisors, LLC or John Lovoi. See (12).
- (10) Includes (i) 600,000 shares directly held by Mr. McAfee; (ii) 1,594,200 shares held by P2 Capital LLC, an entity owned 50% by Mrs. Marguerite McAfee (Mr. McAfee's spouse) and 25% by each of Mr. and Mrs. McAfee's minor children (over which shares Mrs. McAfee holds sole dispositive and voting power). Mr. McAfee disclaims beneficial ownership of these shares; (iii) 2,000,000 shares held by McAfee Capital, LLC, an entity owned 50% by each of Mr. and Mrs. McAfee (over which shares Mr. and Mrs. McAfee share voting and dispositive power); (iv) 125,000 shares owned by Berg McAfee Companies, LLC (out of a total of 250,000 shares owned by Berg McAfee Companies, LLC), an entity in which Mr. McAfee owns a 50% interest and shares voting and dispositive power; and (v) currently exercisable warrants to purchase 82,500 shares owned by Cagan McAfee Capital Partners, LLC (out of a total of warrants to purchase 165,000 shares owned by CMCP), an entity in which Mr. McAfee owns a 50% interest and shares voting and dispositive power. The address for Eric McAfee, P2 Capital LLC and McAfee Capital LLC is: c/o Cagan McAfee Capital Partners, LLC, 20400 Stevens Creek Boulevard, Suite 700, Cupertino, California 95014.
- (11) All information in the table and in this disclosure with respect to Peninsula Capital Management, LP is based on the Form 4 filed with the SEC by Scott Bedford on October 9, 2009, and written information provided to the Company by Mr. Bedford. Mr. Bedford is a co-managing member of Peninsula JVL Capital Advisors, LLC, which is the general partner of Belridge Energy Advisors, LP. Belridge owns 1,969,510 shares of Common Stock as disclosed in note (12) below, none of which are included in Peninsula Capital Management, LP's 2,457,469 shares listed in the table above. Mr. Bedford's address is: c/o Peninsula Capital Management, LP, 235 Pine Street, Suite 1600, San Francisco, California 94104.
- (12) All information in the table and in this disclosure with respect to John Lovoi is based on the Schedule 13D/A filed with the SEC by John Lovoi on July 14, 2009. Includes (i) 1,969,510 shares owned by Belridge Energy Advisors, LP; (ii) 689,568 shares owned by JVL Global Energy (QP), LP; (iii) 782,960 shares owned by JVL Global Energy, LP; (iv) 720,198 shares owned by Navitas Fund LP; and (v) 175,274 shares owned by Navitas Fund (QP) LP. Except with respect to Belridge Energy Advisors, LP, all of the aforementioned limited partnerships are managed by JVL Advisors, LLC. Our shares owned by Belridge are managed by Belridge's general partner, Peninsula JVL Capital Advisors, LLC, whose co-managers are Messrs. Bedford and Lovoi. Mr. Lovoi, as co-managing member of Peninsula JVL Capital Advisors, LLC, is deemed to have shared power to vote and shared power to dispose of Belridge's 1,969,510 shares of Common Stock. Mr. Lovoi, as managing member of JVL Advisors, LLC, which is the general partner of each of JVL Global Energy (QP), LP, JVL Global Energy, LP, Navitas Fund LP, and by Navitas Fund (QP) LP, is deemed to have the shared power to vote and sole power to dispose of the aggregate 2,368,000 shares of Common Stock held by those entities. Mr. Lovoi is therefore deemed to have shared power to vote and shared power to dispose of a total of 4,337,510 shares of Common Stock. Mr. Lovoi's address is: 10000 Memorial Drive, Suite 550, Houston, Texas 77024.
- (13) All information in the table and in this disclosure with respect to River Road Asset Management, LLC is based solely on the Form 13F-HR filed with the SEC by River Road Asset Management, LLC on July 14, 2009. According to the Schedule 13G River Road is the beneficial owner of 2,544,865 shares of the common stock of the Company. According to the filing, River Road Asset Management, LLC has sole voting power of 1,823,270 of the shares beneficially owned and shared voting power of 721,595 of the shares beneficially owned. River Road Asset Management, LLC's address is: 462 South 4th Street, Suite 1600, Louisville, Kentucky 40202.
- (14) All information in the table and in this disclosure with respect to Advisory Research Energy Fund, L.P. is based solely on the Form 13G filed with the SEC by Advisory Research Energy Fund, L.P. on September 11, 2009. Advisory Research Energy Fund, L.P. address is: 180 North Stetson Street, Suite 5500, Chicago, Illinois 60601.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own beneficially more than ten percent (10%) of the shares of our common stock (collectively, Reporting Persons ) to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Reporting Persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, except as noted below, based solely on our review of the copies of such reports received or written representations from the Reporting Persons, we believe that, with respect to the fiscal year ended June 30, 2009 all the Reporting Persons complied with all applicable Section 16 filing requirements.

- A late Form 4 report was filed for Eric McAfee on October 23, 2009 to report the sale of 190,000 shares of Common Stock, effective October 4, 2009.
- A late Form 4 report was filed for P2 Capital LLC on October 23, 2009 to report the sale of 70,000 shares of Common Stock, effective various dates between September 1, 2009 through September 14, 2009.
- A late Form 4 report was filed for McAfee Capital LLC on April 13, 2009 to report the sale of 698,700 shares of Common Stock, effective various dates between March 8, 2008 through April 2, 2009.
- A late Form 4 report was filed for P2 Capital LLC on April 13, 2009 to report the sale of 85,800 shares of Common Stock, effective various dates between October 31, 2008 through November 6, 2008.
- A late Form 4 report was filed for John V. Lovoi on March 6, 2009 to report the purchase of 3,000 shares of Common Stock, effective February 25, 2009.
- A late Form 4 report was filed for Robert S. Herlin on December 11, 2008 to report the granting of 15,958 shares of Common Stock, effective August 19, 2008.
- A late Form 4 report was filed for Sterling H. McDonald on December 11, 2008 to report the granting of 5,000 shares of Common Stock, effective August 19, 2008.

- A late Form 4 report was filed for Daryl V. Mazzanti on December 11, 2008 to report the granting of 9,475 shares of Common Stock, effective August 19, 2008.

## EXECUTIVE COMPENSATION AND RELATED INFORMATION

### Summary Compensation Table

In accordance with SEC rules for smaller reporting companies, the following table sets forth the compensation expense we recorded for services in all capacities to our company for our fiscal year ended June 30, 2009 and 2008 for Robert S. Herlin (Chairman of the Board, President and Chief Executive Officer), Sterling H. McDonald (Vice President, Chief Financial Officer and Treasurer) and Daryl V. Mazzanti (Vice President of Operations) (collectively, the **Named Executives** ). We had no other executive officers during these periods.

Name and Principal Position	Fiscal Year	Salary	Bonus(1)	Stock Awards (2)	Option Awards (2)	All Other Compensation (3)	Total
Robert S. Herlin Chairman, President and CEO	2009	\$ 269,167	\$ 103,125	\$ 0	\$ 373,688	\$ 18,605	\$ 764,585
	2008	\$ 235,000	\$ 187,697	\$ 0	\$ 342,211	\$ 16,674	\$ 781,582
Sterling H McDonald Vice President, CFO and Treasurer	2009	\$ 201,083	\$ 64,802	\$ 0	\$ 247,838	\$ 22,829	\$ 536,552
	2008	\$ 186,667	\$ 126,150	\$ 0	\$ 248,787	\$ 16,205	\$ 577,809
Daryl V. Mazzanti Vice President Operations	2009	\$ 201,083	\$ 60,990	\$ 0	\$ 376,728	\$ 24,532	\$ 663,333
	2008	\$ 186,667	\$ 111,445	\$ 0	\$ 331,949	\$ 22,571	\$ 652,632

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(1) For fiscal year 2009, the company significantly reduced bonus awards to all employees as compared to prior years, and all executive officers were awarded unrestricted stock in lieu of cash bonuses. In fiscal year 2008, all employees were given the opportunity to take up to one-third of their annual cash bonuses in common stock. Mr. Herlin, Mr. McDonald and Mr. Mazzanti each elected to receive 15,958, 5,000 and 9,475 shares of common stock, respectively, based on a \$3.60 share price, in lieu of cash for the fiscal year ended June 30, 2008.

(2) As prescribed by the SEC, stock and option award amounts represent the annual expense recorded in the company's financial statements under GAAP and likely do not reflect compensation actually gained or lost by any Named Executive during the years presented. Under rules for stock-based compensation awards classified as equity, company expense is determined by the fair value of the awards as of the actual date of their grant and, therefore, compensation shown reflects static historical estimates of the potential future value of stock and option awards. Since such calculated compensation does not include any change in the value of previous awards of stock, options or warrants due to subsequent changes in stock price, we believe that the amounts recognized in the financial statements may not reflect the amount actually earned or lost by the Named Executive for the years presented. For additional information regarding the company's expense recognition under stock-based compensation awards, see Note 8 to our Notes to Consolidated Financial Statements in Form 10-K for the year ended June 30, 2009, as filed with the SEC.

(3) Includes healthcare subsidy, life insurance, long-term disability and 401(k) matching contributions by the Company, all on terms offered to all employees.

#### **Executive Officers of the Company**

Set forth below is information regarding our executive officers including their ages, positions with our company and principal occupations and employers for at least the last five years. For information concerning executive officers' ownership of our common stock, see the table and related information provided under the caption "Security Ownership of Certain Beneficial Owners and Management."

For information regarding Robert S. Herlin, our Chairman of the Board, President and Chief Executive Officer, see "Proposal I - Election of Directors."

*Sterling H. McDonald* (60). Mr. McDonald joined us as our Chief Financial Officer in November 2003 and has also been responsible for our administrative functions. From 1999 to 2003, Mr. McDonald was as an independent consultant and interim Chief Financial Officer to various companies. From 1997 to 1999, he served as Chief Financial Officer for PetroAmerican Services, a subsidiary of an integrated NYSE-traded oil and gas company. Previously, he served as Chief Financial Officer of PetroStar Energy, an exploration and production company, and Treasurer of Reading and Bates Corporation, an NYSE-traded international offshore drilling services, exploration and production company. Mr. McDonald holds a B.S. in Finance, and an MBA with highest academic achievement, from the University of Tulsa.

*Daryl V. Mazzanti* (47). Mr. Mazzanti joined our company as our Vice President of Operations in July 2005, to lead all of

our oil and gas operations. From 1985 to 2005, Mr. Mazzanti was employed by Union Pacific Resources (UPR) and Anadarko Petroleum (the successor to UPR), where he managed operational, engineering and geotechnical teams responsible for oil and gas fields in Texas, Oklahoma, Louisiana, the Rockies and offshore Gulf of Mexico. His duties included overseeing up to 1,200 horizontal wells, optimizing artificial lift methods for a 750 well program and supervising multi-rig drilling and service programs. Mr. Mazzanti began his career in 1985 as a Development Engineer with Champlin Oil (the predecessor to UPR), where he was responsible for drilling, completion, workover, recompletion, reservoir analysis and surface facility optimization across Texas and offshore Gulf of Mexico. Mr. Mazzanti holds a Bachelor of Science in Petroleum Engineering, with distinction, from the University of Oklahoma at Norman.

**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information regarding awarded securities for each named executive officer outstanding as of June 30, 2009.

Name	Option awards (1)					Stock awards		Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
	Number of securities underlying unexercised options & warrants (#) exercisable	Number of securities underlying unexercised options & warrants (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option /warrant exercise price (\$)	Option /warrant expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)	
Robert S. Herlin(2)	250,000			\$ 0.001	09/23/2013			
	787,500			\$ 1.80	04/04/2015			
	353,125	46,875		\$ 1.41	02/15/2016			
	109,375	140,625		\$ 2.19	09/07/2017			
	23,852	103,358		\$ 4.02	08/19/2015			
Sterling H. McDonald(2)	250,000			\$ 0.25	11/11/2013			
	350,000			\$ 1.80	04/04/2015			
	262,500	37,500		\$ 1.41	02/15/2016			
	65,625	84,375		\$ 2.19	09/07/2017			
	12,589	54,551		\$ 4.02	08/19/2015			
Daryl V. Mazzanti(2)	550,000			\$ 1.61	06/23/2015			
	112,500	37,500		\$ 2.55	05/05/2016			
	87,500	112,500		\$ 2.19	09/07/2017			
	12,589	54,551		\$ 4.02	08/19/2015			

(1) Does not include long term incentive restricted stock awards made after June 30, 2009 in the amount of 92,351 shares for Mr. Herlin, 45,515 shares to Mr. McDonald, and 45,515 shares to Mr. Mazzanti, issued on September 8, 2009 and valued at \$2.68 per share, the closing market price on the date of authorization. These shares vest 1/16th per quarter through September 2013.

(2) The unvested stock options of Mr. Herlin, Mr. McDonald, and Mr. Mazzanti generally vest 1/16th per quarter from the date of grant, with the last option vesting in August 2012.

#### Employment Contracts, Termination of Employment and Change in Control Arrangements

##### Executive Employment Agreement: Robert S. Herlin

On April 4, 2005, we entered into an Executive Employment Contract (the "New Herlin Employment Contract") with Mr. Herlin. The New Herlin Employment Contract supersedes the Original Herlin Employment Contract. Pursuant to the New Herlin Employment Contract, Mr. Herlin continues to serve as our President and Chief Executive Officer. The New Herlin Employment Contract provided an initial annual salary of

\$180,000 and, pursuant to a provision that provides for possible additional annual increases at the discretion of the Board of Directors, Mr. Herlin's current base salary is \$275,000. The agreement provides Mr. Herlin is entitled to a bonus of up to 100% of his base salary payable in cash or securities. Mr. Herlin is also entitled to a continuation of his base salary, medical and long-term disability benefits for one year following termination by the Company if other than for Cause (defined as (i) a material breach by the executive of any agreement with the Company; (ii) conviction of a felony; (iii) material failure of executive to comply with Company policies; (iv) fraud, gross negligence or willful misconduct; and (v) continued failure by executive to perform assigned duties), or Permanent Disability (defined as the inability to perform essential functions of the position for at least 90 consecutive days because of a physical or mental impairment), or if Mr. Herlin is subject to Constructive Termination (defined as (i) any material breach of the Agreement by the Company, including assigning duties inconsistent with the executive's position not cured within 60 days; (ii) relocation of executive's offices in excess of 20 miles; and (iii) substantial reduction of responsibilities, authority or scope of work of executive). In addition, the New Herlin Employment Contract includes a covenant not to compete for one (1) year following termination of the Contract.

For information on Mr. Herlin's compensation during fiscal year 2009, please see Executive Compensation and Related Information.

**Executive Employment Agreement: Sterling H. McDonald**

On April 4, 2005, we entered into an Executive Employment Contract (the New McDonald Employment Contract) with Mr. McDonald. The New McDonald Employment Contract supersedes the Original McDonald Employment Contract with the exception that Mr. McDonald retained the stock options under the terms previously granted. Pursuant to the New McDonald Employment Contract, Mr. McDonald continues to serve as our Chief Financial Officer. The agreement

provides for an initial annual salary of \$150,000, and, subject to a provision that allows annual increases at the discretion of the Board of Directors. Mr. McDonald's current base salary is \$203,300. Mr. McDonald is also eligible to receive an annual discretionary bonus equal to 75% of his annual salary. In addition Mr. McDonald is entitled to a continuation of his base salary, medical and long-term disability benefits for six months following termination by the Company if other than for Cause (defined as (i) unauthorized disclosure by executive of confidential information; (ii) a material breach by the executive of any agreement with the Company; (iii) conviction of a felony; (iv) material failure of executive to comply with Company policies; (v) fraud, gross negligence or willful misconduct; and (vi) continued failure by executive to perform assigned duties) or Permanent Disability (defined as the inability to perform essential functions of the position for at least 90 consecutive days because of a physical or mental impairment), or if Mr. McDonald is subject to Constructive Termination (defined as (i) any material breach of the Agreement by the Company, including assigning duties inconsistent with the executive's position not cured within 45 days; (ii) relocation of executive's offices in excess of 20 miles; and (iii) substantial reduction of responsibilities, authority or scope of work of executive), which may be increased to one year under conditions related to a Change of Control (defined as (i) a merger or consolidation if persons who were not controlling stockholders own 50% or more of the voting power immediately after the merger or consolidation of each (a) the surviving entity and (b) any direct or indirect parent of the surviving entity; or (ii) the sale, transfer or disposition of all of the Company's assets).

For information on Mr. McDonald's compensation in fiscal year 2009, see Executive Compensation and Related Information.

#### **Executive Employment Agreement: Daryl V. Mazzanti**

On June 23, 2005, we entered into an Executive Employment Contract with Mr. Daryl V. Mazzanti for Mr. Mazzanti to serve as Vice President of Operations of our company (the Employment Contract). Under the Employment Contract, Mr. Mazzanti received an initial annual salary of \$155,000, and, pursuant to a provision that allows annual increases at the discretion of the Board of Directors. Mr. Mazzanti's current base salary is \$203,300. The agreement also provides for a discretionary bonus of up to 75% of his annual salary and a six month severance package. If the Company terminates Mr. Mazzanti for any reason other than for Cause (defined in the same manner as in Mr. McDonald's Employment Contract) or Permanent Disability (defined in the same manner as in Mr. McDonald's Employment Contract), or Mr. Mazzanti is subject to a Constructive Termination (defined in the same manner as in Mr. McDonald's Employment Contract), then the Company agrees to continue Mr. Mazzanti's salary and benefit coverage for six months following his termination. In addition, Mr. Mazzanti will receive six months severance if, for a period of one year following a Change of Control (defined in the same manner as in Mr. McDonald's Employment Contract), Mr. Mazzanti is terminated or is subjected to a Constructive Termination.

For information on Mr. Mazzanti's compensation in fiscal year 2009, see Executive Compensation and Related Information.

#### **Compensation of Directors**

Except as noted, our directors receive compensation for serving on the board and for serving as committee members. Robert S. Herlin, who serves as the Chairman of the Board, President and Chief Executive Officer, and Kelly W. Loyd, an affiliate of a major stockholder, receive no additional compensation for serving as a director or committee member.

The compensation plan for our outside directors (other than for Mr. Loyd) constitutes a cash retainer of \$24,000 per year, or the equivalent cash value issued in common stock at the election of each director, plus meeting fees of \$1,000 per

day for board and committee meetings attended in person and \$500 per day for those meetings attended telephonically, with a maximum of one fee paid per day in total. The Chair of the Audit Committee is paid an additional retainer of \$12,000 per annum, the Chair of the Compensation Committee is paid an additional retainer of \$7,500 per annum, and the Chair of the Nominating Committee is paid an additional \$3,750 per annum. In addition to the cash retainers and fees, the outside directors (excluding Mr. Loyd) receive a payment of restricted stock with a fair market value of \$36,000 per annum awarded as of the date of each annual stockholders meeting. These shares of restricted stock vest over one year from the date of grant. We also reimburse our non-employee directors for any direct expenses they incur in their capacity as directors, generally limited to travel costs related to board or committee meetings.

Mr. Cagan may earn compensation from our company through his relationship with our financial advisor, CMCP and placement agent (Colorado Financial Services, Inc.). Mr. Cagan, as a registered representative of Colorado Financial Services and as a partner of CMCP, could serve as our placement agent in private equity financings, whereby CMCP could earn (i) cash fees equal to 8% of gross equity proceeds, declining to 4%, subject to the amount of equity raised through CMCP, plus (ii) a fixed fee equal to 4% of shares offered, payable in warrants. Neither Mr. Cagan nor CMCP have received any compensation pursuant to this arrangement over the past two fiscal years. In addition, in the past we have reimbursed CMCP for the costs of legal services performed by staff members of CMCP under the direction of our previous general

counsel. We ceased obtaining such legal services from CMCP at the end of calendar year 2006. We also reimburse Mr. Cagan for documented travel expenses he incurs from time to time directly on our behalf.

The following table sets forth a summary of the compensation the Company paid to its directors in fiscal 2009:

Name	Fees earned or paid in cash (\$)	Stock awards(1) (\$)	Option awards (\$)	Non-equity incentive plan comp. (\$)	Changes in pension value and nonqualified comp. earnings (\$)	All other comp.(2) (\$)	Total (\$)
William E. Dozier (3)	\$ 44,000	\$ 36,000				\$	\$ 80,000
Gene G. Stoever (3)	\$ 47,000	\$ 36,000					\$ 83,000
Edward J. DiPaolo (3)	\$ 39,750	\$ 36,000					\$ 75,750
Laird Q. Cagan	\$ 2,000	\$ 60,000	n/a	n/a	n/a	30,000	\$ 92,000
Robert S. Herlin (4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Kelly W. Loyd (5)	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) Equivalent to 30,000 shares of restricted common stock based on the closing stock price on the issuance date, subject to cliff vesting over one year. These shares remain unvested until December 2009. In addition, Mr. Cagan received an additional \$24,000 in stock awarded in lieu of cash paid for the annual retainer fees for board compensation.

(2) Constitutes fees paid to CMCP for consulting services rendered. The contract provision for monthly retainers was deleted by amendment as of December 31, 2008.

(3) Includes annual retainer fees and meeting fees earned for the following, respectively: six meetings of the Board of Directors, four meetings of the audit committee, seven meetings of the compensation committee and one meeting of the nomination committee, but limited to one meeting fee per calendar day.

(4) Please see table for Officers' compensation for Mr. Herlin, who does not receive any additional compensation for his services as a member of the Board of Directors.

(5) Mr. Loyd does not receive any compensation for his services as a member of the Board of Directors.

## CORPORATE GOVERNANCE

### Meetings of the Board of Directors and Committees

#### Board of Directors

The property, affairs and business of our company are under the general management of our Board of Directors as provided by the laws of the State of Nevada and our Bylaws. We have standing Audit, Compensation and Nominating Committees of the Board of Directors. The Audit Committee was established in accordance with section 3(a)(58)(A) of The Securities Exchange Act of 1934, as amended (the Exchange Act). The Board of Directors held six meetings during fiscal 2009. Each director attended at least 75% of the aggregate of the total meetings of the Board and the total number of meetings held by all committees of the Board on which such director served during fiscal 2009. The Company currently has no formal policy with respect to the attendance of members of the Board of Directors at annual meetings. Three Directors, Mr. Herlin, Mr. DiPaolo and Mr. Dozier attended our 2008 Annual Meeting.

#### Director Independence

The Board of Directors affirmatively determines the independence of each director in accordance with the NYSE Amex rules and listing standards. The Board has determined that Messrs. Laird Q. Cagan, William E. Dozier, Edward J. DiPaolo, Gene G. Stoever and Kelly W. Loyd each qualify as independent non-employee directors with no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

#### Audit Committee

The Board of Directors has instructed the Audit Committee to meet periodically with our management and independent auditors to, among other things, review the results of the annual audit and quarterly reviews and discuss our financial statements, recommend to our board the independent auditors to be retained, and receive and consider the auditors' comments as to controls, adequacy of staff and management performance and procedures in connection with audit and financial controls. The Audit Committee is also authorized to review related party transactions for potential conflicts of interest. The Audit Committee's functions are further described under the heading Audit Committee Report. A copy of the written charter adopted by the Board of Directors for the Audit Committee and as currently in effect is included on our website, [www.evolutionpetroleum.com](http://www.evolutionpetroleum.com).

The Audit Committee is composed of Mr. Gene G. Stoever, Chairman, and Messrs. Edward J. DiPaolo and William E. Dozier. Each member of the Audit Committee is independent, as such term is defined in the listing standards for companies listed on the NYSE Amex. Each member of the Audit Committee also satisfies the Securities and Exchange Commission's additional independence requirements for members of audit committees. The Board has determined that Mr. Stoever is an audit committee financial expert as defined under Item 401(e)(2) of Regulation S-K of the Securities Act of 1933. The Audit Committee met four times during fiscal year 2009.

**Audit Committee Report**

The responsibilities of the Audit Committee include providing oversight to Evolution Petroleum Corporation's financial reporting process through periodic meetings with Evolution Petroleum Corporation's independent auditors and management to review accounting, auditing, internal controls, and financial reporting matters. The management of Evolution Petroleum Corporation is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The Audit Committee, in carrying out its role, relies on our senior management, including senior financial management, and its independent auditors.

The Audit Committee has reviewed and discussed the audited financial statements with management, and has discussed with the independent auditors the matters required to be discussed by the statement on Auditing Standards No. 61, as amended and adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1, as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with the independent accountant the independent accountant's independence. Based on its review and discussions with the independent auditors, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's annual report on Form 10-K for the last fiscal year for filing with the Securities and Exchange Commission.

It is not the duty of the Audit Committee to plan or conduct audits or to determine that Evolution Petroleum Corporation's financial statements are complete and accurate and in accordance with accounting principles generally

accepted in the United States. That is the responsibility of management and our independent auditors. In giving our recommendation to the Board of Directors to file our annual report on Form 10-K with the SEC, we have relied on (i) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and (ii) the report of our independent auditors with respect to such financial statements.

Submitted by the Audit Committee: Mr. Gene G. Stoever, Chairman, Mr. Edward J. DiPaolo, and Mr. William E. Dozier.

### **Compensation Committee**

The Compensation Committee is authorized to review annual salaries and bonuses of our executive officers and has the authority to determine the recipients of options and stock awards, the time or times at which options and stock awards shall be granted, the exercise price of each option, and the number of shares to be issuable upon the exercise of each option under our stock plan. In addition, the Compensation Committee recommends to the full Board the compensation of our Chief Executive Officer. In fulfilling its responsibilities, the Compensation Committee has the authority to engage independent compensation consultants or legal advisers when determined by the Committee to be necessary or appropriate. The members of the Compensation Committee consist of Mr. Dozier, Chairman, and Messrs. Stoever, DiPaolo and Cagan. A copy of the written charter adopted by the Board of Directors for the Compensation Committee and as currently in effect is included on our website, [www.evolutionpetroleum.com](http://www.evolutionpetroleum.com). All of the four members of the Compensation Committee are independent, as such term is defined in the listing standards for companies listed on the NYSE Amex. The Compensation Committee met seven times during fiscal year 2009.

### **Nomination of Directors**

The Nominating Committee, the members of which are currently Mr. DiPaolo, who serves as Chairman, and Messrs. Stoever, Dozier and Loyd, is responsible for identifying, screening, and recommending qualified candidates to serve on our Board of Directors. A copy of the written charter adopted by the Board of Directors for the Nominating Committee and as currently in effect is included on our website, [www.evolutionpetroleum.com](http://www.evolutionpetroleum.com). Pursuant to its charter, the Nominating Committee is directed, among other things, to: develop and recommend to the Board specific guidelines and criteria for selecting nominees to the Board; formulate a process to identify and evaluate candidates to be recommended; review periodically compensation programs for non-employee directors and make recommendations for changes when appropriate; and evaluate the performance of incumbent members of the Board to determine whether to recommend such persons for re-election. All four members of the nominating committee are independent as defined in the listing standards for companies listed on the NYSE Amex.

It is our policy that the Nominating Committee consider recommendations for the nomination of directors submitted by our significant, long-term stockholders (generally, stockholders that have beneficially owned more than 5% of our outstanding shares for at least two years). The Nominating Committee will give consideration to such recommendations that have been submitted in accordance with procedural requirements adopted by the Nominating Committee. All such stockholder nominating recommendations must be in writing, addressed to the Nominating Committee, care of the Corporate Secretary at Evolution Petroleum Corporation, 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042. Submissions must be made by mail, courier or personal delivery. E-mailed submissions will not be considered. Stockholders wishing to recommend nominees for election as directors at an annual meeting should submit such recommendation, together with any relevant information that they wish the Nominating Committee to consider, to the Corporate Secretary no later than 120 days prior to the date of the notice of annual meeting released to stockholders in connection with the current year's annual meeting.

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The Committee has determined that, at the minimum, nominees for directorship should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the Company's stockholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. The Company endeavors to have a board representing diverse experience in areas that are relevant to the Company's business activities. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities efficiently, and should be committed to serve on the Board for an extended period of time.

Prior to nominating a candidate for election to the Board, the Committee will review the qualifications of each candidate. Final candidates may be interviewed by the Company's Chairman of the Board and one or more other Board members. The Committee will then make a recommendation to the Board based on its review, the results of interviews with the candidate and all other available information.

In determining whether to nominate an incumbent director for reelection, the Committee will evaluate each incumbent's continued service, in light of the Board's collective requirements, at the time such Director comes up for reelection.

In determining whether to include a stockholder nominee in the Board's slate of nominees, the Committee will consider all information relevant in their business judgment to the decision of whether to nominate the particular candidate for a Board seat, taking into account the current composition of the Company's Board.

In addition to the foregoing, stockholders may nominate directors for election without consideration by the Nominating Committee so long as we are provided with proper notice of such nomination, which notice includes all the information required pursuant to Regulation 14A under the Exchange Act including the consent to serve as a director. The Nominating Committee met once during fiscal year 2009.

#### **Transactions with Related Parties**

None.

#### **Code of Business Conduct and Ethics**

The Company has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including the principal executive officer, principal financial officer and principal accounting officer. It covers all areas of professional conduct, but not limited to, conflicts of interest, disclosure obligations, insider trading, confidential information, as well as compliance with all laws, rules and regulations applicable to Evolution's business. You can access the latest copy of our Code of Business Conduct and Ethics on our website, [www.evolutionpetroleum.com](http://www.evolutionpetroleum.com). Or, to obtain a copy of Evolution's Code of Business Conduct and Ethics, without charge, any person may submit a written request to Evolution Petroleum Corporation, c/o Corporate Secretary, 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042.

#### **Legal Proceedings**

Currently, no director or executive officer, to our knowledge, is a party to any material legal proceeding adverse to the interests of the Company. Additionally, no director or executive officer has a material interest in a material proceeding adverse to the Company.

#### **Stockholder Communications with the Board**

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Any stockholder can communicate with all directors or with specified directors by sending correspondence to our Corporate Secretary at 2500 CityWest Boulevard, Suite 1300, Houston, Texas 77042. All such letters will be forwarded to the entire Board or to the Director(s) specified by the stockholder.

### **STOCKHOLDER PROPOSALS**

At the Annual Meeting each year, the Board of Directors submits to stockholders its nominees for election as directors. The Board of Directors may also submit other matters to the stockholders for action at the Annual Meeting. Any proposal which a stockholder intends to present in accordance with Rule 14a-8 of the Exchange Act at our next annual meeting of stockholders to be held in 2010 must be received by Evolution Petroleum Corporation not less than one hundred twenty (120) days prior to October 28, 2010. Only proposals conforming to the requirements of Rule 14a-8 of the Exchange Act that are timely received by the Company will be included in the Proxy Statement and Proxy in 2010. Any such proposal should be directed to our Secretary at our principal executive offices located at 2500 CityWest Boulevard, Suite 1300 Houston, Texas 77042.

### **OTHER MATTERS**

#### **Miscellaneous**

Our management does not intend to present any other items of business and is not aware of any matters other than those set forth in this Proxy Statement that will be presented for action at the Annual Meeting. However, if any other matters properly come before the Annual Meeting, the persons named in the enclosed proxy intend to vote the shares of our common stock that they represent in accordance with their best judgment.

#### **Annual Report**

A copy of the Company's Annual Report on Form 10-K without exhibits, for the fiscal year ended June 30, 2009

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filed with the Securities and Exchange Commission accompanies this Proxy Statement. Copies of the Form 10-K exhibits are available without charge. Stockholders who would like such copies should direct their requests in writing to: Evolution Petroleum Corporation, 2500 CityWest Boulevard, Suite 1300 Houston, Texas 77042, Attention: Corporate Secretary.

By Order of the Board of Directors,

*/s/ Sterling H. McDonald*  
*Sterling H. McDonald,*  
*Vice President, Chief Financial Officer*  
*and Treasurer*

Houston, Texas  
October 28, 2009











