

Sanchez Energy Corp
Form DEF 14A
April 25, 2012

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

SCHEDULE 14A

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 under §240.14a-12

Sanchez Energy Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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

**1111 Bagby Street
Suite 1600
Houston, Texas 77002**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Sanchez Energy Corporation:

Notice is hereby given that the Annual Meeting of Stockholders of Sanchez Energy Corporation (the "*Company*") will be held at Heritage Plaza, 1111 Bagby Street, First Floor, Houston, Texas 77002 in the plaza conference room on Wednesday, May 23, 2012, at 9:00 a.m. Central Time (the "*Annual Meeting*"). The Annual Meeting is being held for the following purposes:

1. To elect three directors, each for a term of one year.
2. To amend the Company's 2011 Long Term Incentive Plan (the "*Plan*") to allow for an additional amount of securities to be made available for incentive awards (the "*Plan Amendment*").
3. To ratify the selection of BDO USA, LLP as the Company's independent registered public accountants for 2012.
4. To transact such other business as may properly come before the Annual Meeting.

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 16, 2012.

YOUR VOTE IS IMPORTANT

Please vote over the internet at www.cstproxyvote.com or by phone at 1-866-894-0537 promptly so that your shares may be voted in accordance with your wishes and so we may have a quorum at the Annual Meeting. Alternatively, if you did not receive a paper copy of the proxy materials (which includes the proxy card), you may request a paper proxy card, which you may complete, sign and return by mail.

By Order of the Board of Directors,

Michael G. Long
Secretary

Houston, Texas
April 25, 2012

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SANCHEZ ENERGY CORPORATION

1111 Bagby Street
Suite 1600
Houston, Texas 77002

PROXY STATEMENT

2012 ANNUAL MEETING OF STOCKHOLDERS

The Board of Directors (the "**Board**") of the Company requests your Proxy for the Annual Meeting of Stockholders that will be held Wednesday, May 23, at 9:00 a.m. Central Time, at Heritage Plaza, 1111 Bagby Street, First Floor, Houston, Texas 77002 in the plaza conference room. By granting the Proxy, you authorize the persons named on 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 would like to attend the Annual Meeting and vote in person, you may contact us at (713) 783-8000 for directions to the Annual Meeting. 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 the Proxy in writing at any time before it is exercised at the Annual Meeting by delivering to the Secretary of the Company a written notice of the revocation, by submitting your vote electronically through the internet or by phone after the grant of the Proxy, or by signing and delivering to the Secretary of the Company a Proxy with a later date. Your attendance at the Annual Meeting will not revoke the Proxy unless you give written notice of revocation to the Secretary of the Company before the Proxy is exercised or unless you vote your shares in person at the Annual Meeting.

STOCKHOLDERS OF RECORD AND BENEFICIAL OWNERS

Most of the Company's stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholders of Record. If your shares are registered directly in your name with the Company's transfer agent, you are considered the stockholder of record with respect to those shares, and this proxy statement (the "**Proxy Statement**") is being sent directly to you by our agent. As a stockholder of record, you have the right to vote by proxy or to vote in person at the Annual Meeting. The proxy materials include a proxy card or a voting instruction card for the Annual Meeting.

Beneficial Owners. If your shares are held in a brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in "street name," and this Proxy Statement will be forwarded to you by your broker or nominee. The broker or nominee is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker how to vote. The proxy materials include a proxy card or a voting instruction card for the Annual Meeting.

QUORUM AND VOTING

Voting Stock. The Company's common stock, par value \$0.01 per share, is the only class of securities that entitles holders to vote generally at meetings of the Company's stockholders. Each share of common stock outstanding on the record date is entitled to one vote.

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Record Date. The record date for stockholders entitled to notice of and to vote at the Annual Meeting was the close of business on April 16, 2012. As of the record date, 34,567,200 shares of common stock were outstanding and entitled to be voted at the Annual Meeting.

Quorum and Adjournments. The presence, in person or by Proxy, of the holders of a majority of the outstanding shares entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting.

If a quorum is not present, the chairman of the Annual Meeting may adjourn the Annual Meeting from time to time to reconvene at the same or some other place. Notice need not be given of any such adjourned meeting if the date, time and place, if any, thereof, and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At any adjourned Annual Meeting at which a quorum is present, any business may be transacted that might have been transacted at the Annual Meeting as originally notified. If the adjournment is for more than thirty days, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix a new record date for notice of such adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

Vote Required. Directors will be elected by the affirmative vote of the holders of a plurality of the shares present and entitled to be voted at the Annual Meeting. The Plan Amendment and ratification of the selection of the Company's auditors will require the affirmative vote of the holders of a majority of the shares present and entitled to be voted at the Annual Meeting. An automated system that Continental Stock Transfer & Trust Company ("*Continental*") 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. 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. Brokers do not have discretionary voting authority with respect to the Plan Amendment and the election of directors. For ratification of the selection of the Company's auditors, brokers will have discretionary authority in the absence of timely instructions from their customers. Abstentions and broker non-votes will count in determining whether a quorum is present at the Annual Meeting. For purposes of director elections, withheld votes will be included in the number of shares voting and will have the effect of a vote against the election of the director for whom the vote was withheld; however, broker non-votes will not have any effect on the outcome of director elections. For purposes of voting on the Plan Amendment and the ratification of the selection of auditors, abstentions will be included in the number of shares voting and will have the effect of a vote against the proposal; however, broker non-votes will not have any effect on the outcome of voting for either of these proposals.

Default Voting. A Proxy that is properly completed and submitted will be voted at the Annual Meeting in accordance with the instructions on the Proxy. If you properly complete and submit a Proxy, but do not indicate any contrary voting instructions, your shares will be voted as follows:

FOR the election of the three persons named in this Proxy Statement as the Board's nominees for election as directors.

FOR the Plan Amendment.

FOR the ratification of the selection of BDO USA, LLP as the Company's auditors for 2012.

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

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ITEM ONE. ELECTION OF DIRECTORS

The Board has nominated the following individuals for election as directors of the Company to serve for a one year term to expire in 2013 and until either they are re-elected or their successors are elected and qualified:

Antonio R. Sanchez, III
 Gilbert A. Garcia
 Greg Colvin

Each of the above-listed individuals is currently serving as a director of the Company. Their biographical information is contained in the "Directors and Executive Officers" section below.

The Board 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, the persons acting under the Proxy will vote for the election of a substitute nominee that the Board recommends.

The Board unanimously recommends that stockholders vote FOR the election of each of the nominees.

DIRECTORS AND EXECUTIVE OFFICERS

After the Annual Meeting, assuming the stockholders elect the nominees of the Board as set forth in "Item One Election of Directors" above, the Board will be, and the executive officers of the Company are:

Name	Age	Position
Antonio R. Sanchez, III(1)	38	Chairman of the Board of Directors, President and Chief Executive Officer
Gilbert A. Garcia(1)	48	Director
Greg Colvin(1)	52	Director
Michael G. Long	59	Senior Vice President, Chief Financial Officer and Secretary
Kirsten A. Hink	45	Vice President and Principal Accounting Officer

(1) Member of the Audit Committee.

The Board currently consists of three members that are elected annually. Set forth below is biographical information about each of the Company's directors, nominees for director and officers.

Antonio R. Sanchez, III has served as our Chairman of the Board of Directors, President and Chief Executive Officer since our formation in August 2011 and has been directly involved in the oil and gas industry for over 12 years. Mr. Sanchez is the President of Sanchez Oil & Gas Corporation ("**SOG**"), the sole member of SEP Management I, LLC ("**SEP Management**"), which he joined in October 2001, the President of SEP Management, the general partner of Sanchez Energy Partners I, LP ("**SEP I**"), and a Managing Director of SEP I, the Company's controlling stockholder (SOG, SEP I and SEP Management, together with their affiliates (other than the Company), the "**Sanchez Group**"). In his capacities as an officer of these members of the Sanchez Group, Mr. Sanchez manages all aspects of their daily operations, including exploration, production, engineering and land management. From 1997 to 1999, Mr. Sanchez was an investment banker specializing in mergers and acquisitions with J.P. Morgan Securities Inc. From 1999 to 2001, Mr. Sanchez worked in a variety of positions, including sales and marketing, product development and investor relations, at Zix Corporation, a publicly traded encryption technology company listed on the Nasdaq Global Market. Mr. Sanchez has also been a member of the board of directors of Zix Corporation since May 2003. He earned a Bachelor of Business Administration from Georgetown University with a concentration in accounting and finance and a minor in economics and a Master of Business Administration from the Harvard Business School.

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Mr. Sanchez has significant experience managing oil and gas operations and being a member of the board of directors of a publicly traded company as well as extensive knowledge of the energy industry. For these reasons, we believe that Mr. Sanchez is qualified to serve as a director of the company.

Gilbert A. Garcia has served as our director since December 2011 and is the Chair of our Audit Committee. Mr. Garcia is the Managing Partner of Garcia Hamilton & Associates, L.P., an institutional asset management firm, which he joined in 2002 and where he supervises all facets of the firm's investment decisions. Prior to joining Garcia Hamilton & Associates, L.P., Mr. Garcia worked at two other institutional asset management firms, Smith Graham & Company, where Mr. Garcia was most recently the Chief Investment Officer, and Cisneros Asset Management, where he was most recently President. Mr. Garcia started his professional career with Salomon Brothers specializing in mortgage-backed securities. Mr. Garcia received his Bachelor of Arts in Economics from Yale University. We believe that Mr. Garcia is well qualified to serve as a member of our Board. In addition to his professional experience, Mr. Garcia also has extensive experience serving in leadership positions of community organizations, including as the Chairman of the Metropolitan Transit Authority of Harris County, Texas. We believe that Mr. Garcia's executive experience, including through his service on community organizations, provides valuable financial and management experience that is critical to his ability to identify, understand and address the challenges and opportunities that we face as a public company.

Greg Colvin has served as our director since March 2012 and is a member of our Audit Committee. Mr. Colvin is the Managing Partner, Chief Operating Officer and Head of Investor Relations of Sankofa Capital, an investment management firm, which he co-founded in December 2011. From 2007 until he co-founded Sankofa Capital, Mr. Colvin worked as a Managing Partner at Bluffview Capital, LP, where he originated and raised capital for private equity and hedge fund clients. From 1997 to 2006, Mr. Colvin was a Managing Director of the Private Funds Group at Donaldson, Lufkin & Jenrette Securities Corp and Credit Suisse LLC. Mr. Colvin started his professional career with Stephens Inc. specializing in placing primary and secondary fixed income products to institutional investors. Mr. Colvin received his Bachelor of Science in Business Administration from the University of Arkansas. Mr. Colvin currently serves on the advisory board of the Sam M. Walton College of Business at the University of Arkansas. We believe that Mr. Colvin is well qualified to serve as a member of our Board. In addition to his extensive experience in leadership positions at large financial institutions, Mr. Colvin has a substantive understanding of the upstream oil and gas industry and a financial background that gives him the ability to understand and analyze our business and our opportunities.

Michael G. Long has served as our Senior Vice President, Chief Financial Officer and Secretary since our formation in August 2011. Mr. Long is also the Senior Vice President, Chief Financial Officer and Secretary of SOG, which he joined in June 2008. Mr. Long has more than 30 years of experience in the energy industry and has served in various senior positions with private and public oil and gas companies. Prior to joining SOG, Mr. Long was the Chief Financial Officer and Executive Vice President for Edge Petroleum Corporation ("*Edge*") for 12 years until May 2008. Edge filed for Chapter 11 bankruptcy protection in October 2009. From 1996 to 1997, Mr. Long was the Vice President of Finance for W&T Offshore Incorporated. Mr. Long began his professional career as an economist for Amoco Corporation. He earned his Bachelor of Arts in Political Science and Master of Science in Economics from the University of Illinois at Urbana.

Kirsten A. Hink has served as our Vice President and Principal Accounting Officer since March 2012. Prior to joining us, Ms. Hink served as the Controller of Vanguard Natural Resources, LLC from January 2011 to February 2012, where she oversaw the company's financial reporting and accounting. From January 2010 to December 2010, she served as Assistant Controller of Mariner Energy, Inc. ("*Mariner*"), where she managed the revenue and production reporting as well as assisted with financial and bankruptcy reporting for the Edge properties that were acquired by Mariner. She served as the

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Chief Accounting Officer for Edge, an oil and gas exploration company, from July 2008 through December 2009 and the Vice President and Controller for Edge from October 2003 through July 2008, where she oversaw the preparation of Edge's financial statements. Prior to that time she served as Controller of Edge from December 31, 2000 to October 2003 and Assistant Controller of Edge from June 2000 to December 2000. Edge filed for Chapter 11 bankruptcy protection in October 2009. Before joining Edge, she served as Controller of Benz Energy Inc., an oil and gas exploration company, from June 1998 to June 2000. Mrs. Hink received a Bachelor of Science in Accounting from Trinity University. Mrs. Hink is a Certified Public Accountant in the State of Texas.

EXECUTIVE COMPENSATION

As an "emerging growth company" under applicable Securities and Exchange Commission ("*SEC*") rules, we are subject to reduced public company reporting requirements with respect to our executive compensation disclosure. All of our executive officers are also employees of SOG and are compensated by SOG, subject to reimbursement by us to the extent provided for in the services agreement. Please read "Transactions with Related Persons." SOG has responsibility and authority for compensation related decisions for our executive officers. Although we bear an allocated portion of SOG's costs of providing compensation and benefits to the persons who serve as our executive officers, we do not have control over such costs and do not establish or direct the compensation policies or practices of SOG. With the exception of grants under the Plan, the amounts reflected in the 2011 Summary Compensation Table below (and SOG's decisions with respect to such amounts) are not subject to approvals by our Board or any committee thereof. Awards under our Plan are made by our Board.

Historically, SOG has relied on energy industry compensation studies performed annually by Effective Compensation Incorporated to assess and benchmark its compensation and benefits policies and practices with those of its peers. However, because it is a private company, all of SOG's compensation decisions, including those for our executive officers, are made at the discretion of its managers.

We had only two executive officers in 2011, Antonio R. Sanchez, III (our principal executive officer) and Michael G. Long (our principal financial officer) (together, the "*2011 named executive officers*"). Compensation paid or awarded by us in 2011, as reflected in the 2011 Summary Compensation Table below, reflects only the portion of compensation expense that was allocated to us pursuant to SOG's allocation methodology. As described below, the allocation methodology followed by SOG for fiscal 2011 differs from the allocation methodology that SOG will follow in the future due to the fact that, in the future, SOG will charge us pursuant to the terms of the services agreement, which we did not enter into until the end of fiscal 2011.

For fiscal 2011, since we acquired assets from SEP I in connection with our formation, SOG allocated certain compensation costs for our 2011 named executive officers to us based on the relative capital spending levels of SEP I on the assets that it contributed to us in connection with our formation as compared to the assets that it retained. Mr. Long's compensation amounts in the 2011 Summary Compensation Table below reflect this allocation methodology. With respect to Mr. Sanchez, other than his bonus, SOG did not allocate any compensation costs to us for Mr. Sanchez because of Mr. Sanchez's significant contributions to the growth and development of members of the Sanchez Group, which contributions were in addition to his leadership of us. SOG did allocate the costs of both Messrs. Sanchez's and Long's bonuses to us in light of the direct benefits to us of their leadership roles in the successful completion of our initial public offering (the "*IPO*").

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For all future periods and pursuant to the terms of the services agreement, SOG will allocate to us the costs related to the salaries, benefits, bonuses and any other amounts to be paid to our executive officers based on the proportion of time that our executive officers spend working on our matters relative to those of members of the Sanchez Group. While the exact proportion of time that our executive officers spend working on our matters relative to those of members of the Sanchez Group will vary from year to year, we expect that each of our executive officers will spend approximately 75%-90% of their time working on our matters and we expect the costs that SOG charges to us to reflect this allocation of time.

2011 Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards(1)	All Other Compensation	Total
Antonio R. Sanchez, III <i>President and Chief Executive Officer</i>	2011		\$350,000			\$350,000
Michael G. Long <i>Senior Vice President and Chief Financial Officer</i>	2011	\$119,738	\$150,000		\$3,418(2)	\$273,156

(1) Our Board adopted the Plan in connection with the completion of our IPO. No awards were made under the Plan in fiscal 2011. In the future, however, we expect that the compensation of our named executive officers will include a significant equity incentive compensation component. To that end, in January 2012, we awarded Messrs. Sanchez and Long 250,000 shares and 60,000 shares of restricted stock under our Plan, respectively, in recognition of their significant contributions to the successful completion of our IPO and to provide incentive awards to them that further align their interests with those of our stockholders. Mr. Sanchez's grant will vest pro-rata over a two-year period, and Mr. Long's grant will vest pro-rata over a three-year period (in each case, subject to certain forfeiture conditions and the accelerated vesting conditions described below).

Notwithstanding the two-year pro-rata vesting period for Mr. Sanchez's restricted stock, upon the occurrence of the following events, the shares of restricted stock will vest automatically: a Change of Control (as defined in the Plan), a Qualifying Termination (generally, a termination by the Company other than due to Mr. Sanchez's commission of, conviction for, or plea of guilty or nolo contendere to a felony, other material act or omission involving dishonesty or fraud, gross negligence or willful malfeasance), Constructive Termination (generally, the assignment of a duty or duties to Mr. Sanchez by the Board that are not commensurate with the position of Chief Executive Officer, the Board's material reduction in Mr. Sanchez's duties or any reduction in Mr. Sanchez's title or position as Chief Executive Officer) or Mr. Sanchez's death or Disability (as defined in the Plan).

Notwithstanding the three-year pro-rata vesting period for Mr. Long's restricted stock, upon the occurrence of a Change of Control, the shares of restricted stock will vest automatically. In addition, in the event of Mr. Long's death, the Committee (as defined in the Plan) may, but is not obligated to, accelerate the vesting of any or all of the shares of restricted stock.

(2) "All Other Compensation" for Mr. Long consists of the 401(k) matching contribution costs allocated to us by SOG.

2011 Director Compensation

For the 2011 fiscal year, in light of the fact that Mr. Sanchez was our only director from the date of our formation until the listing of our common stock on the NYSE in December 2011, we did not pay our directors any compensation for their services to us in fiscal 2011. We are currently in the

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process of developing a compensation package for our non-employee directors and expect it to consist of both cash and equity compensation. We do not expect to pay our directors who are also our officers any additional amounts for their service to us in their capacities as directors.

In connection with the contemplated compensation package for our directors, in January 2012, we awarded 8,600 shares of restricted stock to Mr. Garcia. Mr. Garcia's grant will vest on the one year anniversary of his date of grant. Notwithstanding the one-year vesting period for Mr. Garcia's restricted stock, upon the occurrence of a Change of Control, the shares of restricted stock will vest automatically. In addition, in the event of Mr. Garcia's death, the Committee may, but is not obligated to, accelerate the vesting of any or all of the shares of restricted stock.

CORPORATE GOVERNANCE

Board Composition

Our certificate of incorporation and by-laws provide that the number of our directors shall be fixed from time to time pursuant to a resolution adopted by our Board. We currently have three directors: Messrs. Sanchez, Garcia and Colvin.

Our Board consists of a single class of directors each serving one year terms. Pursuant to our by-laws, once SEP I, our controlling stockholder, and its affiliates no longer beneficially own more than 50% of the outstanding shares of our common stock, our Board will be divided into three classes of directors, with each class as nearly equal in number as possible, serving staggered three year terms (other than directors who may be elected by holders of preferred stock, if any).

Board Leadership Structure

The Board recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide independent oversight of management. The Board understands that the optimal Board leadership structure may vary as circumstances warrant. Consistent with this understanding, non-management directors consider the Board's leadership structure on an annual basis.

The Board has determined that the optimal Board leadership structure for us is served by the role of Chairman of the Board being held by our Chief Executive Officer, Mr. Sanchez. Our Board has determined that this leadership structure is optimal for us because it believes that having one leader serving as both the Chairman and Chief Executive Officer provides decisive, consistent and effective leadership. Since our Board consists of only three directors, two of whom are independent, we do not presently have a lead independent director.

Director Independence

We have availed ourselves of the "controlled company" exception under the New York Stock Exchange ("*NYSE*") rules, which exempts us from the requirements that a listed company must have a majority of independent directors on its board of directors and that its compensation and nominating and corporate governance committees be composed entirely of independent directors.

In any event, our Board has determined that Messrs. Garcia and Colvin are "independent directors" as defined by the NYSE rules and Rule 10A-3 of the Securities Exchange Act of 1934, as amended ("*Exchange Act*"). There are no family relationships among any of our executive officers, directors or nominees for director.

SEP I currently owns shares of our common stock sufficient to elect all of the members of the Board without the approval of any other stockholder.

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Board's Role in Risk Oversight

Management, which is responsible for day-to-day risk management, conducts a risk assessment of our business annually. The risk assessment process is global in nature and identifies and assesses our risks, as well as steps to mitigate and manage the risks, which may be financial, operational or strategic in nature.

The results of each risk assessment are reviewed with the Audit Committee. The centerpiece of the assessment is a discussion of our key risks, which includes a review of the potential magnitude and likelihood of each risk, the personnel responsible for managing each risk and management's initiatives to manage and mitigate each risk. Because overseeing risk is an ongoing process and inherent in our strategic decisions, the Board also discusses risk throughout the year at other meetings in relation to specific proposed actions.

The Board currently considers specific risk topics, including risks associated with our strategic plan, our exploratory drilling program, our capital structure and other operational activities. Further, the Board is routinely informed by management of developments that could affect our risk profile or other aspects of our business.

Meetings of the Board of Directors

Because we were formed in August 2011 and had only one director until our listing on the NYSE in December 2011 in connection with the closing of our IPO, we did not hold any Board meetings in fiscal 2011 and took action by unanimous written consent four times. As permitted by the NYSE listing standards for "controlled companies," our only standing committee currently is our Audit Committee, which was formed in December 2011 in connection with the closing of our IPO and therefore did not hold any meetings in 2011 or take any actions by written consent in 2011. As described below under "Compensation and Nominating Functions of the Board of Directors," the functions of a nominating and a compensation committee are performed by our Board.

While we do not have a formal policy with respect to director attendance at the annual meetings of our stockholders, we generally expect that our directors will attend the annual meetings.

Communications with the Board of Directors

Stockholders and other interested parties may communicate directly with our independent directors by sending a written communication in an envelope addressed to: Sanchez Energy Corporation, Board of Directors (Independent Members), c/o Secretary, 1111 Bagby Street, Suite 1600, Houston, Texas 77002.

Stockholders and other interested parties may communicate directly with the full Board by sending a written communication in an envelope addressed to: Sanchez Energy Corporation, Board of Directors, c/o Secretary, 1111 Bagby, Suite 1600, Houston, Texas 77002.

Committees of the Board of Directors

As permitted by the NYSE listing standards for "controlled companies," currently our only standing committee is our Audit Committee. We may have such other committees as the Board shall determine from time to time. Our Audit Committee has the composition and responsibilities described below.

Audit Committee

Our Audit Committee currently consists of a total of three directors, Messrs. Garcia (Chair) and Colvin, each of whom the Board has determined to be an "independent director" as defined by the

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NYSE rules and Rule 10A-3 of the Exchange Act, and one non-independent director, Mr. Sanchez. The Board has determined that each member of the Audit Committee is "financially literate" as required by the NYSE rules. Additionally, the Board has determined that Mr. Garcia is an "Audit Committee Financial Expert" as defined by the Exchange Act. Stockholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Garcia's experience and understanding with respect to certain accounting and auditing matters. The designation does not impose upon Mr. Garcia any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee and the Board, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board.

As required by the NYSE listing standards, we expect to have a fully independent Audit Committee with a minimum of three members by December 13, 2012, the one year anniversary of the effective date of the registration statement relating to our IPO. As our Audit Committee is currently comprised of a majority of independent directors, we do not believe that our reliance on these transition rules affects our Audit Committee's ability to act independently. Our Audit Committee is authorized to:

- approve and retain the independent auditors to conduct the annual audit of our books and records;
- review the proposed scope and results of the audit;
- review and pre-approve the independent auditors' audit and non-audit services rendered;
- approve the audit fees to be paid;
- review accounting and financial controls with the independent auditors and our financial and accounting staff;
- review and approve transactions between us and our directors, officers and affiliates;
- recognize and prevent prohibited non-audit services;
- establish procedures for complaints received by us, including regarding accounting matters;
- review our policies and practices with respect to risk assessment and risk management;
- approve any off-balance sheet financial activities;
- oversee internal audit functions; and
- prepare the report of the Audit Committee that SEC rules require to be included in this Proxy Statement.

The Audit Committee's responsibilities are set forth in its charter which was approved by the Board on December 13, 2011 and is reviewed annually. The charter is available on our website at www.sanchezenergycorp.com. The information on our website is not incorporated by reference into this Proxy Statement.

Compensation and Nominating Functions of the Board of Directors

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We do not have a compensation committee or charter. Because we are a "controlled company" under the NYSE listing standards, this committee is not required by the NYSE listing standards. Furthermore, our Board has determined that it is appropriate not to have this committee at this time because, pursuant to the services agreement described under "Transactions with Related Persons," SOG has responsibility and authority for the compensation related decisions for our executive officers and directors, and we bear an allocated portion of SOG's costs of providing compensation and benefits to

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the persons who serve as our executive officers and directors. Consequently, we do not have control over such costs and do not establish or direct the compensation policies or practices of SOG. Awards under our Plan are made by our Board. However, since our Board currently consists of only three directors, it has determined that it can appropriately administer awards under our Plan.

We also do not have a nominating committee or charter as they are not required by the NYSE listing standards for "controlled companies" and because our Board currently consists of only three directors. Our entire Board participates in the consideration of director nominees. It has been our practice that our Chairman, Antonio R. Sanchez, III, recommends to our entire Board candidates for nomination to the Board. Our Board may also solicit ideas for possible candidates from a number of sources, including our executives, individuals personally known to members of the Board and executive search firms.

In evaluating candidates for director, our Board seeks directors who will best represent the long-term interests of our stockholders. The Board's view is that all directors should possess the highest personal and professional ethics, integrity and values. In evaluating the suitability of the candidates, the Board takes into consideration such factors as it deems appropriate. These factors may include, among other things, issues of character, judgment, independence, age, expertise, diversity of experience, absence of conflicts of interest, length of service and other commitments. Our Board evaluates these factors, among others, and considers each individual candidate in the context of the current perceived needs of our Board as a whole and of any committees of the Board. Although we do not have a formal diversity policy, our Board does consider diversity in evaluating candidates for Board membership. Our Board's objective in choosing candidates is to assemble membership for our Board as a whole as well as any committees of the Board that represents diverse viewpoints that will guide the Company effectively in pursuit of its strategic goals.

Although the Board does not have a formal policy with regard to the consideration of any director candidates recommended by stockholders, the Board will consider recommendations from stockholders of potential candidates for service on the Board. See "Stockholder Proposals" below for a description of the process by which stockholders may nominate directors for consideration by the Board.

Compensation Committee Interlocks and Insider Participation

As described above, the compensation decisions regarding our executive officers, other than awards under our Plan, are made by SOG. Mr. Sanchez, the Company's President and Chief Executive Officer, is also the President of SOG. None of our executive officers serves, or has served, during the last completed fiscal year, on the compensation committee or board of directors of any other company that has one or more executive officers serving on our Board.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics applicable to our employees, directors and officers, in accordance with the applicable rules of the SEC and the corporate governance rules of the NYSE. Any waiver of this code may be made only by our Board. In accordance with the rules of the SEC and the corporate governance rules of the NYSE, we will provide any person, without charge and upon request, with a copy of our Code of Business Conduct and Ethics. Requests should be directed to us at 1111 Bagby Street, Suite 1600, Houston, Texas 77002, Attention: Secretary. The Code of Business Conduct and Ethics is also available on our website at www.sanchezenergycorp.com. The information on our website is not incorporated by reference into this Proxy Statement. We will disclose any amendments to or waivers of the Code of Business Conduct and Ethics on our website at www.sanchezenergycorp.com.

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Corporate Governance Guidelines

The Board has adopted corporate governance guidelines in accordance with the corporate governance rules of the NYSE. In accordance with the corporate governance rules of the NYSE, we will provide any person, without charge and upon request, with a copy of our corporate governance guidelines. Requests should be directed to us at 1111 Bagby Street, Suite 1600, Houston, Texas 77002, Attention: Secretary. The corporate governance guidelines are also available on our website at www.sanchezenergycorp.com. The information on our website is not incorporated by reference into this Proxy Statement. We will disclose any amendments to the corporate governance guidelines on our website www.sanchezenergycorp.com.

AUDIT COMMITTEE REPORT

The information contained in this Audit Committee Report and references in this Proxy Statement to the independence of the Audit Committee members shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates such information by reference in such filing.

During the last fiscal year, and in preparation for the filing with the SEC of the Company's Annual Report on Form 10-K for the year ended December 31, 2011, the Audit Committee:

reviewed and discussed the Company's audited consolidated financial statements as of and for the year ended December 31, 2011 with management;

discussed with BDO USA, LLP, the Company's independent registered public accounting firm, the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

received the written disclosures and the letter from BDO USA, LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and discussed with BDO USA, LLP its independence from the Company; and

based on the reviews and discussions referred to above, recommended to the Board that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Notwithstanding the foregoing actions and the responsibilities set forth in the Audit Committee's charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's consolidated financial statements are complete and accurate and in accordance with generally accepted accounting principles. Management is responsible for the Company's financial reporting process and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States. The independent registered public accountants are responsible for expressing an opinion on those financial statements. Committee members are not employees of the Company or accountants or auditors by profession. Therefore, the Audit Committee has relied, without independent verification, on management's representation that the consolidated financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and on the representations of the independent registered public accountants included in their report on the Company's consolidated financial statements.

The Audit Committee meets regularly with management and the independent auditors, including private discussions with the independent registered public accountants, and receives the communications described above. Our considerations and discussions with management and the

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independent registered public accountants do not assure that the Company's consolidated financial statements are presented in accordance with generally accepted accounting principles or that the audit of the Company's consolidated financial statements has been carried out in accordance with generally accepted auditing standards.

Audit Committee of
The Board of Directors

Gilbert A. Garcia, Chairman
Antonio R. Sanchez, Member
Greg Colvin, Member

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of common stock as of April 16, 2012 by (i) each person who is known by the Company to own beneficially more than five percent 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 1111 Bagby Street, Suite 1600, Houston, Texas 77002.

Beneficial holders	Number of shares beneficially held	Percentage of beneficial ownership(1)
5% Stockholders:		
Sanchez Energy Partners I, LP(2)	22,090,909	63.91%
Directors and Named Executive Officers:		
Antonio R. Sanchez, III(2)(3)	22,340,909	64.63%
Michael G. Long(4)	60,000	*
Kirsten A. Hink(4)	9,000	*
Gilbert A. Garcia(4)	8,600	*
Greg Colvin		
All directors and executive officers as a group (5 persons)	22,418,509	64.85%

* Denotes less than 1% beneficially owned.

(1) Total shares outstanding includes shares of restricted stock subject to forfeiture conditions.

(2) These shares are owned directly by SEP I. SEP I is controlled by its general partner, SEP Management, which is a wholly owned subsidiary of SOG. SOG is managed by Antonio R. Sanchez, III and A. R. Sanchez, Jr. Each of SEP Management, SOG, Antonio R. Sanchez, III and A. R. Sanchez, Jr. may be deemed to share voting and dispositive power over the shares of common stock held by SEP I. Each of SEP Management, SOG, Antonio R. Sanchez, III and A. R. Sanchez, Jr. disclaims beneficial ownership of the shares of common stock held by SEP I except to the extent of his or its pecuniary interests therein. In addition to the shares over which he has shared voting and dispositive power, A. R. Sanchez, Jr. has sole voting and dispositive power over 350,000 shares of restricted common stock. In addition to the shares over which he has shared voting and dispositive power, Antonio R. Sanchez, III has sole voting and dispositive power over 250,000 shares of restricted common stock.

(3) Includes 250,000 shares of restricted common stock.

(4) Consists of shares of restricted common stock.

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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