SYSCO CORP
Form DEF 14A
September 29, 2010

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 þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

SYSCO 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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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

1390 Enclave Parkway
Houston, Texas 77077-2099

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held November 12, 2010

To the Stockholders of Sysco Corporation:

The Annual Meeting of Stockholders of Sysco Corporation, a Delaware corporation, will be held on Friday, November 12, 2010 at 10:00 a.m. at The Houstonian Hotel located at 111 North Post Oak Lane, Houston, Texas 77024, for the following purposes:

1. To elect as directors the four nominees named in the attached proxy statement to serve until the Annual Meeting of Stockholders in 2013;

2. To approve an amendment to the Sysco Corporation 1974 Employees Stock Purchase Plan to reserve 5,000,000 additional shares of Sysco Corporation common stock for issuance under the plan;

3. To ratify the appointment of Ernst & Young LLP as Sysco s independent accountants for fiscal 2011;

4. To transact any other business as may properly be brought before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on September 14, 2010 will be entitled to receive notice of and to vote at the Annual Meeting. You may inspect a list of stockholders of record at the company s offices during regular business hours during the 10-day period before the Annual Meeting. You may also inspect this list at the Annual Meeting.

You are, of course, invited to attend the Annual Meeting in person. Whether or not you plan to attend in person, we urge you to promptly vote your shares by telephone, by the Internet or, if this proxy statement was mailed to you, by returning the enclosed proxy card in order that your vote may be cast at the Annual Meeting.

By Order of the Board of Directors

Manuel A. Fernandez
Chairman of the Board

September 29, 2010

SYSCO CORPORATION
1390 Enclave Parkway
Houston, Texas 77077-2099

PROXY STATEMENT

2010 ANNUAL MEETING OF STOCKHOLDERS

September 29, 2010

Information About Attending the Annual Meeting

Our Annual Meeting will be held on Friday, November 12, 2010 at 10:00 a.m. at The Houstonian Hotel located at 111 North Post Oak Lane, Houston, Texas 77024.

Information About This Proxy Statement

We are providing you with a Notice of Internet Availability of Proxy Materials and access to these proxy materials because our Board of Directors is soliciting your proxy to vote your shares at the Annual Meeting. Unless the context otherwise requires, the terms we, our, us, the company or Sysco as used in this proxy statement refer to Sysco Corporation.

Information About the Notice of Internet Availability of Proxy Materials

In accordance with rules and regulations adopted by the Securities and Exchange Commission, instead of mailing a printed copy of our proxy materials, including our annual report to stockholders, to each stockholder of record, we may now generally furnish proxy materials, including our annual report to stockholders, to our stockholders on the Internet.

Stockholders who have previously signed up to Receive Proxy Materials on the Internet: On or about September 30, 2010, we will send electronically a Notice of Internet Availability of Proxy Materials (the E-Proxy Notice) to those stockholders that have previously signed up to receive their proxy materials and other stockholder communications on the Internet instead of by mail.

Stockholders who have previously signed up to Receive All Future Proxy Materials in Printed Format by Mail: On or about September 30, 2010, we will begin mailing printed copies of our proxy materials, including our annual report to stockholders, to all stockholders who previously submitted a valid election to receive all future proxy materials and other stockholder communications in written format.

All other Stockholders: On or about September 30, 2010, we will begin mailing the E-Proxy Notice to all other stockholders. If you received the E-Proxy Notice by mail, you will not automatically receive a printed copy of the proxy materials or the annual report to stockholders. Instead, the E-Proxy Notice instructs you as to how you may access and review all of the important information contained in the proxy materials, including our annual report to stockholders. The E-Proxy Notice also instructs you as to how you may submit your proxy on the Internet. If you received the E-Proxy Notice by mail and would like to receive a printed copy of our proxy materials, including our annual report to stockholders, you should follow the instructions for requesting such materials included in the E-Proxy Notice.

Receiving Future Proxy Materials Electronically: Stockholders may also sign up to receive future proxy materials, including E-Proxy Notices, and other stockholder communications electronically instead of by mail. This will reduce our printing and postage costs and eliminate bulky paper documents from your personal files. In order to receive the communications electronically, you must have an e-mail account, access to the Internet through an Internet service provider and a web browser that supports secure connections. Visit *http://enroll.icsdelivery.com/syy* for additional information regarding electronic delivery enrollment.

Where to Find Information in this Proxy Statement: For your convenience, set forth below is a listing of the major topics in this proxy statement.

Who Can Vote

You can vote at the Annual Meeting if you owned shares at the close of business on September 14, 2010. You are entitled to one vote for each share you owned on that date on each matter presented at the Annual Meeting. On September 14, 2010, there were 587,708,541 shares of Sysco Corporation common stock outstanding. All of our current directors and executive officers (20 persons) owned, directly or indirectly, an aggregate of 770,005 shares, which was less than 1% of our outstanding stock as of September 14, 2010.

How to Vote

You may vote your shares as follows:

- in person at the Annual Meeting; or
- by telephone (see the instructions at *www.ProxyVote.com*); or,
- by Internet (see the instructions at *www.ProxyVote.com*); or
- if you received a printed copy of these proxy materials by mail, by signing, dating and mailing the enclosed proxy card.

If you vote by proxy, the individuals named on the proxy card (your proxies) will vote your shares in the manner you indicate. You may specify whether your shares should be voted for, against or abstain with respect to all, some or none of the nominees for director and with respect to approval of the Amended and Restated Sysco Corporation 1974 Employees Stock Purchase Plan and ratification of the appointment of the independent accountants.

If you sign and return your proxy card without indicating your voting instructions, your shares will be voted as follows:

- FOR the election of the four nominees for director;
- FOR approval of the amendment to the Sysco Corporation 1974 Employees Stock Purchase Plan to reserve 5,000,000 additional shares of Sysco Corporation common stock for issuance under the plan; and
- FOR the ratification of the appointment of Ernst & Young as independent accountants for fiscal 2011;

If your shares are not registered in your own name and you plan to attend the Annual Meeting and vote your shares in person, you should contact your broker or agent in whose name your shares are registered to obtain a proxy executed in your favor and bring it to the Annual Meeting in order to vote.

How to Revoke or Change Your Vote

You may revoke or change your proxy at any time before it is exercised by:

- delivering written notice of revocation to Sysco s Corporate Secretary in time for him to receive it before the Annual Meeting;
- voting again by telephone, Internet or mail (provided that such new vote is received in a timely manner pursuant to the instructions above); or
- voting in person at the Annual Meeting.

The last vote that we receive from you will be the vote that is counted.

Broker Non-Votes

A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting authority and has not received voting instructions from the beneficial owner. Under applicable NYSE rules, we may only receive broker non-votes with respect to the election of the four nominees for directors and the proposal to amend the Sysco Corporation 1974 Employees Stock Purchase Plan.

Quorum Requirement

A quorum is necessary to hold a valid meeting. A quorum will exist if the holders of at least 35% of all the shares entitled to vote at the meeting are present in person or by proxy. All shares voted by proxy are counted as present for purposes of establishing a quorum, including those that abstain or as to which the proxies contain broker non-votes as to one or more items.

Votes Necessary for Action to be Taken

Sysco s Bylaws and Corporate Governance Guidelines include a majority vote standard for uncontested director elections. Since the number of nominees timely nominated for the Annual Meeting does not exceed the number of directors to be elected, each director to be elected shall be elected if the number of votes cast for election of the director exceeds those cast against. Any incumbent director who is not re-elected will be required to tender his or her resignation promptly following certification of the stockholders vote. The Corporate Governance and Nominating Committee will consider the tendered resignation and recommend to the Board whether to accept or reject the resignation offer, or whether other action should be taken. The Board will act on the recommendation within 120 days following certification of the stockholders vote and will promptly make a public disclosure of its decision regarding whether to accept the director s resignation offer.

Pursuant to Sysco s Bylaws, the affirmative vote of a majority of the votes cast, either for or against, is required for approval of the amendment to the Sysco Corporation 1974 Employees Stock Purchase Plan to reserve 5,000,000 additional shares of Sysco Corporation common stock for issuance under the plan and ratification of the appointment of the independent accountants.

Broker non-votes will be disregarded with respect to the election of directors and all other proposals. Abstentions will be disregarded with respect to the election of directors and all other proposals.

Who Will Count Votes

We will appoint one or more Inspectors of Election who will determine the number of shares outstanding, the voting power of each, the number of shares represented at the Annual Meeting, the existence of a quorum and whether or not the proxies and ballots are valid and effective.

The Inspectors of Election will determine, and retain for a reasonable period a record of the disposition of, any challenges and questions arising in connection with the right to vote and will count all votes and ballots cast for and against and any abstentions or broker non-votes with respect to all proposals and will determine the results of each vote.

Cost of Proxy Solicitation

We will pay the cost of solicitation of proxies including preparing, printing and mailing this proxy statement, should we choose to mail any written proxy materials, and the E-Proxy Notice. Solicitation may be made personally or by mail, telephone or electronic data transfer by officers, directors and regular employees of the company (who will not receive any additional compensation for any solicitation of proxies).

We will also authorize banks, brokerage houses and other custodians, nominees and fiduciaries to forward copies of proxy materials and will reimburse them for their costs in sending the materials. We have retained Georgeson Shareholder Communications to help us solicit proxies from these entities and certain other stockholders, in writing or by telephone, at an estimated fee of $12,000 plus reimbursement for their out-of-pocket expenses.

Other Matters

We do not know of any matter that will be presented at the Annual Meeting other than the election of directors and the other proposals discussed in this proxy statement. However, if any other matter is properly presented at the Annual Meeting, your proxies will act on such matter in their best judgment.

Annual Report

We will furnish additional copies of our annual report to stockholders, including our Annual Report on Form 10-K, without charge upon your written request if you are a record or beneficial owner of Sysco Corporation common stock whose proxy we are soliciting in connection with the Annual Meeting. Please address requests for a copy of the annual report to the Investor Relations Department, Sysco Corporation, 1390 Enclave Parkway, Houston, Texas 77077-2099. The Annual Report on Form 10-K is also available on our website under Investors Financial Information at *www.sysco.com.*

Householding

If your shares are held in the name of your broker or agent, and you share the same last name and address with another Sysco shareholder, you and the other shareholders at your address may receive only one copy of the E-Proxy Notice and any other proxy materials we choose to mail unless contrary instructions are provided from any stockholder at that address. This is referred to as householding. If you prefer to receive multiple copies of the E-Proxy Notice, and any other proxy materials that we mail, at the same address, additional copies will be provided to you promptly upon written or oral request, and if you are receiving multiple copies of the E-Proxy Notice and other proxy materials, you may request that you receive only one copy. Please address requests for a copy of the E-Proxy Notice to the Investor Relations Department, Sysco Corporation, 1390 Enclave Parkway, Houston, Texas 77077-2099. The Annual Report on Form 10-K is also available on our website under Investors Financial Information at *www.sysco.com.*

If your shares are not registered in your own name, you can request additional copies of the E-Proxy Notice and any other proxy materials we mail or you can request householding by notifying your broker or agent in whose name your shares are registered.

ELECTION OF DIRECTORS
ITEM NO. 1 ON THE PROXY CARD

Board Composition

We believe that our directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of Sysco s stockholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. We endeavor to have a Board representing a range of backgrounds and experiences in areas that are relevant to the company s activities so that the Board, as a whole, possesses the combination of skills, professional experience, and diversity of backgrounds necessary to oversee Sysco s business. Accordingly, the Board and the Corporate Governance and Nominating Committee consider the qualification of directors and director candidates individually and in the broader context of the Board s overall composition and the Company s current and future needs. Below we identify and describe some of the key experience, qualifications and skills that our Corporate Governance and Nominating Committee believes individuals serving as directors of Sysco should collectively bring to the Board and that are important in light of our business and structure. The priorities and emphasis of the Corporate Governance and Nominating Committee and of the Board with regard to these factors may change from time to time to take into account changes in our business and other trends, as well as the portfolio of skills and experience of current and prospective Board members.

Leadership, Corporate Strategy and Development Experience The Board believes that experience as a senior executive in a large and complex public, private, government or academic organization enables a director to better oversee the management of the company. Such individuals also bring perspective in analyzing, shaping and overseeing the execution of important operational and policy issues at a senior level, and tend to demonstrate a practical understanding of organizations, strategy, risk management and the methods to drive change and growth. Finally, directors with experience in significant leadership positions generally possess the ability to identify and develop leadership qualities in others, including members of our management team.

Foodservice Industry or Marketing Experience Directors with experience as executives, directors or in other leadership positions in various aspects of the foodservice industry gain extensive knowledge that is valuable to Sysco s operating plan and strategy, including ways in which Sysco can better fulfill the needs of its customers and suppliers. In addition, as the foodservice market continues to mature, directors with marketing knowledge provide valuable insights as we focus on ways in which Sysco can grow organically by identifying and developing new markets.

Technology, e-Commerce and Enterprise Resource Planning Experience Technology is already an integral part of Sysco s distribution and supply chain. In addition, we are undertaking a multi-year Enterprise Resource Planning/Business Transformation Project designed to combine the systems of many Sysco operating companies into a single system. The use of a single system is expected to drive efficiencies and cost savings through consolidation and standardization, allow us to leverage data to make better decisions as we develop a better enterprise-wide view of the business and enhance our customers experience through improved online ordering and customer support systems. Directors with experience in the areas of technology and ERP implementation can provide valuable insights to guide these efforts.

Distribution/Supply Chain Experience Directors that have experience in distribution logistics and supply chain management can help us find ways to optimize warehouse and delivery activities across the Sysco organization to achieve a more efficient delivery of products to our customers.

Global Experience/ Broad International Exposure Although Sysco s primary focus is on growing and optimizing the core foodservice distribution business in North America we continue to explore and identify opportunities to grow our global capabilities in, and source products directly from, international markets. We benefit from the experience and insight of directors with a global business perspective as we identify the best strategic manner in which to expand our operations outside of North America. As Sysco s reach becomes more global, directors with international business experience can assist us in navigating the business, political, and regulatory environments in countries in which Sysco does, or seeks to do, business.

Accounting, Finance and Financial Reporting Experience An understanding of accounting, finance and financial reporting processes is important for our directors to evaluate our financial statements and capital investments. Although we expect all of our directors to be financially knowledgeable, many of our directors have developed much more extensive experience in accounting and financial matters through their executive leadership roles in the public and private sector.

Risk Management The Board oversees management s efforts to understand and evaluate the types of risks facing Sysco and its business, evaluate the magnitude of the exposure, and enhance risk management practices. Directors with risk management experience can provide valuable insights as Sysco seeks to strike an appropriate balance between enhancing profits and managing risk.

Public Company Board Experience Directors who have served on other public company boards can offer advice and insights with regard to the dynamics and operation of the Board of Directors, Board practices of other public companies and the relationship between the Board and the management team. Most public company directors also have corporate governance experience to support our goals of Board and management accountability, greater transparency, legal and regulatory compliance and the protection of stockholder interests. Many of our directors currently serve, or have previously served, on the Boards of Directors of other public companies.

Diversity Our Corporate Governance Guidelines provide that the Corporate Governance and Nominating Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics new Board members should possess as well as the composition of the Board as a whole. This review includes consideration of diversity, age, skills, experience, time available and the number of other boards the member sits on in the context of the needs of the Board and the Company, and such other criteria as the Committee shall determine to be relevant at the time. While the Board has not prescribed standards for considering diversity, as a matter of practice it looks for diversity in nominees such that the individuals can enhance perspective and experience through diversity in race, gender, ethnicity, cultural background, geographic origin, education, and professional and life experience. Because we value gender and racial diversity among our Board members, four of our current Board members are women, including one African American, the Chairman of the Board is Hispanic and two of current Board members are from outside the United States.

Included in the individual biographies below is a discussion of the most significant aspects of each director s background that strengthen the Board s collective qualifications, skills and experience and that the Corporate Governance and Nominating Committee and the Board considered in reaching their conclusion that he or she should continue to serve as a director of Sysco.

Election of Directors at 2010 Annual Meeting

Four directors are to be elected at the meeting. The Board of Directors currently consists of 12 members divided into three classes of four directors each. The company s governing documents provide that the Board of Directors shall be divided into three classes with no class of directors having more than one director more than any other class of directors. The directors in each class serve for a three-year term. A different class is elected each year to succeed the directors whose terms are expiring.

The Board of Directors has nominated the following four persons for election as directors in Class III to serve for three-year terms or until their successors are elected and qualified:

John M. Cassaday
Manuel A. Fernandez
Hans-Joachim Koerber
Jackie M. Ward

Each of the nominees is currently serving as a director of Sysco and has consented to serve if elected. Although management does not contemplate the possibility, in the event any nominee is not a candidate or is unable to serve as a director at the time of the election, the proxies will vote for any nominee who is designated by the present Board of Directors to fill the vacancy.

Set forth below is biographical information for each director, including the nominees for election as a director at the 2010 Annual Meeting. Unless otherwise noted, the persons named above have been engaged in the principal occupations shown for the past five years or longer. In addition to the information described below, many of our directors serve as trustees, directors or officers of various non-profit, educational, charitable and philanthropic organizations.

Nominees for Election as Class III Directors for terms expiring at the 2013 Annual Meeting:

John M. Cassaday, 57, has served as a director of Sysco since November 2004. Since September 1999, Mr. Cassaday has served as President and Chief Executive Officer, as well as a director, of Corus Entertainment Inc., a media and entertainment company based in Canada. He also serves as a director of Manulife Financial Corporation.
Mr. Cassaday is Chairman of Sysco s Compensation Committee and is also a member of our Corporate Governance and Nominating Committee.

Key Director Qualifications: Mr. Cassaday earned a Bachelor of Arts degree from the University of Western Ontario and a Master of Business Administration Degree with honors from the University of Toronto s Rotman School of Management. Prior to his current position as the founding President and CEO of Corus Entertainment Inc., a Canadian leader in radio and specialty television, Mr. Cassaday served as President and CEO of CTV Television Network Ltd. Mr. Cassaday s career prior to broadcasting included executive positions in a number of leading packaged goods companies including RJR-Macdonald, Inc., General Foods Corporation and Campbell Soup Company, where he gained food processing and food safety experience while advancing through positions in sales, marketing, and strategic planning in Canada, the United States, and the United Kingdom. His career at Campbell s culminated in service as President of Campbell Soup Company s operations in Canada and the United Kingdom. Mr. Cassaday gained additional foodservice experience through his service as a director of Loblaw Companies Limited, Canada s largest food distributor, and of J.M. Schnieder, a meat processing company. This background has provided Mr. Cassaday with extensive experience and knowledge in the areas of leadership, corporate strategy and development, the foodservice industry, distribution and supply chains, marketing, international operations, accounting, finance and financial reporting. In addition, Mr. Cassaday s service on the Board of Directors of Manulife Financial Corporation has provided a greater understanding of risk management and global compensation considerations. Mr. Cassaday has received many business, industry and charitable honors, including designation as the most distinguished alumni of the University of Toronto s Rotman School of Management in 1998, receipt of the Gold Medal from the Association of Canadian Advertisers in 2004 (which recognizes individuals who have made an outstanding contribution to the advancement of marketing communications in Canada) and induction in the Marketing Hall of Legends of Canada in 2006.

Manuel A. Fernandez, 64, has served as a director of Sysco since November 2006 and as the non-executive Chairman of the Board since June 28, 2009. Since 2000, he has been the Managing Director of SI Ventures, a venture capital firm focusing on information technology and communications infrastructure companies that enable e-business, and Chairman Emeritus of Gartner, Inc., a leading information technology research and consulting company. Prior to his present positions, Mr. Fernandez was Chairman, President, and Chief Executive Officer of Gartner. Mr. Fernandez also serves on the board of directors of Brunswick Corporation, Flowers Foods, Inc. and Stanley Black & Decker, Inc. (following his service on the Board of the Black & Decker Company until its acquisition by The Stanley Works in March 2010; following such acquisition, The Stanley Works changed its name to Stanley Black & Decker, Inc.). Mr. Fernandez is a member of Sysco s Corporate Governance and Nominating Committee and our Compensation Committee.

Key Director Qualifications: Mr. Fernandez earned a Bachelor s Degree in electrical engineering from the University of Florida and completed post-graduate studies in solid state engineering. He began his career in engineering positions, eventually becoming a Group Executive Vice President of Fairchild Semiconductor with direct oversight for operations and manufacturing facilities in the US and in several foreign countries. Among the engineering breakthroughs in his career, Mr. Fernandez was part of a design team at Harris Semiconductors that developed the first programmable memory. He later served as President and CEO of three technology-driven companies, including Zilog Incorporated (a publicly-traded semiconductor manufacturer and a leader in the microprocessor industry, with operations in over 20 countries), Gavilan Computer Corporation (a technology company he founded that developed one of the first battery-operated laptop computers in 1982) and Dataquest (an information services company that was later acquired by Gartner). During Mr. Fernandez s service as CEO and later Chairman of the Board of Gartner, he oversaw the company s dramatic growth, from a research boutique with revenue of $46 million in 1991 to a global technology research and advisory firm with over $950 million of revenue in 2001, including taking the company public in 1994. At the time of his retirement, Gartner had locations in over 40 international locations serving customers in 80 counties. Together, these positions provided Mr. Fernandez with extensive leadership, corporate strategy and development, information technology, IT strategy, strategic planning and international experience.

Mr. Fernandez has gained knowledge of distribution and supply chains as:

a member of the Board of Directors of Brunswick Corporation, a leading global manufacturer and marketer of recreation products including marine engines, boats, fitness equipment and bowling and billiards equipment, where he currently serves as Lead Director and a member of the Human Resources and Compensation Committee (which he previously chaired) and previously served as chairman of the Nominating and Corporate Governance Committee;

The Black & Decker Corporation, a leading global manufacturer and marketer of power tools and accessories, hardware and home improvement products, and technology-based fastening systems, where he previously served as Lead Director and Chairman of the Corporate Governance Committee; and

Stanley Black & Decker, Inc., a diversified global supplier of hand tools, power tools and related accessories, mechanical access solutions and electronic security solutions, where he serves on the Finance and Pension Committee and the Corporate Governance Committee.

Mr. Fernandez s service on the Board of Directors of Flowers Foods, Inc., one of the largest producers and marketers of bakery products in the United States, has provided him with extensive knowledge of the foodservice industry. At Flowers Foods he also serves as chairman of the Compensation Committee and a member of the Corporate Governance Committee.

He also previously served on Sysco s Finance Committee. Mr. Fernandez has invested in over 20 start-up companies in the information technology field, has served on the Boards of Directors of multiple public and private companies and was appointed by the President of the United States as a member of the Presidential Information Technology Action Committee. He is a former Chairman of the Board of Trustees of the University of Florida.

Hans-Joachim Koerber, 64, has served as a director of Sysco since January 2008. Dr. Koerber served as the chairman and chief executive officer of METRO Group, Germany s largest retailer, from 1999 until his retirement in October 2007. Dr. Koerber is a director of Air Berlin PLC and Esprit Holdings Limited, as well as several private European companies, including Klüh Service Management GmbH and WEPA Industrieholding SE. Dr. Koerber is a member of Sysco s Audit Committee and our Finance Committee.

Key Director Qualifications: Dr. Koerber earned a degree as a Master Brewer in Brewing Technology and a Ph.D. in Business Management from the Technical University of Berlin. Dr. Koerber began his career in the beverage industry, including management positions in which he was responsible for finance and accounting, information technology, purchasing and personnel. He first became involved with the company that would eventually become METRO when he joined the predecessor company s cash-and-carry, self-service wholesale company in charge of finance and accounting, controlling, logistics and information technology. His responsibilities continued to expand to include international cash-and-carry activities in six countries. When METRO AG was formed in 1996, Dr. Koerber became part of the METRO management board. His responsibilities included corporate development, corporate communications and investor relations and he became chairman and chief executive officer in 1999. Dr. Koerber introduced a new management style, streamlined the company to focus on four of the original 16 business divisions in order to remain competitive and achieve profitability, adopted international accounting standards and rapidly developed METRO s international presence, including hands-on experience in expanding METRO into Eastern Europe and Asia, including China and India. These efforts helped make METRO Germany s largest retailer, operating wholesale cash & carry stores, supermarkets, hypermarkets, department stores and consumer electronics shops throughout the world. Throughout his career, Dr. Koerber developed experience and qualifications in the areas of leadership, corporate strategy and development, the foodservice industry, distribution and supply chains, marketing and risk management. Dr. Koerber s insights on running and expanding a foodservice business with international operations have been, and will continue to be, particularly helpful to Sysco. Dr. Koerber s career at METRO AG, combined with his 10 years of service on the Board of Skandinaviska Enskilda Benken AB (the parent company of the SEB Group, a North European banking concern catering to corporations, institutions, and private individuals) and the Board of Directors of several other international companies, has provided him with financial expertise, particularly with regard to international financial accounting standards. His service on the Boards of Air Berlin PLC (Germany s second largest airline) and Esprit Holdings Limited (manufacturer of apparel, footwear, accessories, jewelry and housewares) have deepened his experience in marketing.

Jackie M. Ward, 72, has served as a director of Sysco since September 2001. Ms. Ward is the former Chairman, President and Chief Executive Officer of Computer Generation Incorporated (CGI), a company she founded in 1968 that was acquired in December 2000 by Intec Telecom Systems PLC, a technology company based in the United Kingdom. Ms. Ward is a director of Flowers Foods, Inc., Sanmina-SCI Corporation and WellPoint, Inc. Ms. Ward is Chairman of Sysco s Corporate Governance and Nominating Committee and is also a member of our Compensation Committee. In the last five years, Ms. Ward also served as a director of Bank of America and Equifax Inc.

Key Director Qualifications: Ms. Ward attended Georgia State College for Women and the University of Georgia Extension Center, where she majored in psychology and mathematics. She later attended the London School of Business and was awarded a Doctor of Laws from Mercer University. Early in her career, Ms. Ward held programming, engineering, marketing and management positions with UNIVAC (a division of Sperry Corporation), General Electric Company and J.P. Stevens Company. Ms. Ward then founded and had over 30 years of experience with CGI, a provider of software solutions to the telecommunications industry with offices in the U.S., England and Australia. Ms. Ward s lengthy career has provided her with extensive leadership, information technology, retail/mass marketing, corporate strategy and development, finance, banking, and international experience. In addition, significant projects undertaken by CGI for governmental and private entities provided unique experience for Ms. Ward in developing and implementing supply chain inventory control systems, fraud detection systems and software to handle generalized and specific accounting functions. Ms. Ward has gained knowledge of the foodservice industry through her membership on the Board of Directors of Flowers Foods, Inc., one of the largest producers and marketers of bakery products in the United States. She also has significant public company board experience as a current or former member of numerous Boards of Directors where she served in various leadership positions, including lead director, presiding director and the chairman of various committees. With respect to Flowers Foods, Ms. Ward currently serves as the Presiding Director, Chair of the Nominating and Corporate Governance Committee and a member of the Compensation and Executive Committees. With respect to WellPoint, Ms. Ward currently serves as Lead Director, Chair of the Corporate Governance Committee and a member of the Compensation and Executive Committees. She also serves on the Nominating and Governance Committee of Sanmina-SCI Corporation. Ms. Ward furthered her expertise in the areas of finance and risk management as Chairman of the Asset Quality Committee of Bank of America s Board of Directors for 15 years and her expertise in the areas of accounting and internal audit as a member of the Board of PRG-Schultz International, Inc., which provides recovery audit services to organizations with high volumes of payment transactions, including retail and wholesale businesses, manufacturers, health care, and government agencies.

The Board of Directors recommends a vote FOR the nominees listed above.

Class I directors whose terms expire at the 2011 Annual Meeting:

William J. DeLaney, 54, has been a director of Sysco since January 2009 and began serving as Sysco s Chief Executive Officer in March 2009. He assumed the additional title of President when Mr. Spitler announced his pending retirement in March 2010. Mr. DeLaney began his Sysco career in 1987 as Assistant Treasurer at the company s corporate headquarters. He was promoted to Treasurer in 1991, and in 1993 he was named a Vice President of the company, continuing in those responsibilities until 1994. Mr. DeLaney joined Sysco Food Services of Syracuse in 1996 as chief financial officer, progressed to senior vice president in 1998 and executive vice president in 2002. In 2004, Mr. DeLaney was appointed president and chief executive officer of Sysco Food Services of Charlotte. He held that position until December 2006, when he was named Sysco s Senior Vice President of Financial Reporting. Effective July 1, 2007, Mr. DeLaney was promoted to the role of Executive Vice President and Chief Financial Officer and continued to serve in such position following his promotion to CEO until the appointment of Mr. Kreidler as Sysco s Chief Financial Officer became effective on October 5, 2009. Mr. DeLaney is a member of Sysco s Finance Committee.

Key Director Qualifications: Mr. DeLaney earned a Bachelor of Business Administration degree from the University of Notre Dame, and a Master of Business Administration degree from the Wharton Graduate Division of the University of Pennsylvania. Mr. DeLaney has worked in various capacities at Sysco and its subsidiaries for more than 20 years. Through various accounting, finance, operations and management positions within Sysco and its operating companies, Mr. DeLaney has gained valuable insight into the foodservice industry, as well as Sysco s competitive advantages and how to further build upon them. Throughout his career, Mr. DeLaney has developed experience and knowledge in the areas of leadership and management development, corporate strategy and development, finance and accounting and distribution and supply chain management. Further, the Corporate Governance and Nominating Committee and the Board believe that it is appropriate and beneficial to Sysco to have its Chief Executive Officer serve as management s voice on the Board.

Judith B. Craven, M.D., 64, has served as a director of Sysco since July 1996. Dr. Craven served as President of the United Way of the Texas Gulf Coast from 1992 until her retirement in September 1998. Dr. Craven is also a director of Belo Corporation, Luby s, Inc., Sun America Funds and VALIC. Dr. Craven is Chairman of Sysco s Corporate Sustainability Committee and is also a member of our Corporate Governance and Nominating Committee and our Compensation Committee.

Key Director Qualifications: Dr. Craven earned a B.S. degree in Biology and English from Bowling Green State University, then completed premedical requirements at Texas Southern University before earning a Doctor of Medicine from Baylor College of Medicine and a Master of Public Health from the University of Texas School of

Public Health. She also completed the Harvard University Program for Senior Managers in Government at the John F. Kennedy School of Government. Dr. Craven provides a unique viewpoint on Sysco s Board as a medical doctor and distinguished public health expert. She gained a distinctive understanding of the foodservice industry after serving as Director of Public Health for the City of Houston from 1980 through 1983, which included responsibility for the regulation of all foodservice establishments in the City of Houston, including an emphasis on food safety and food handling. Following this appointment, Dr. Craven served as Dean of the University of Texas School of Allied Health Sciences from 1983 to 1992. She also serves on the Board of Directors of Luby s, Inc., which operates almost 100 restaurants and provides food services to select hospital and other medical institutions in Texas. Dr. Craven also has a strong commitment to diversity and social responsibility, having led many initiatives to help increase and incorporate diversity in schools, the workplace and the community. Dr. Craven served as Vice President for Multicultural Affairs for the University of Texas Health Science Center at Houston from 1987 to 1992, and served as Chair of the Committee on Diversity for the University of Texas Board of Regents for six years. Under Dr. Craven s leadership as president for six years, The United Way of The Texas Gulf Coast won the first National Award for diversity from the United Way of America. She has also served as a member of the Board of Directors of Compaq Corporation and the Houston Branch of the Federal Reserve Bank of Dallas. Dr. Craven has received numerous awards and honors, including the NAACP VIP Award for Community Service, Houston s Thirty Most Influential Black Women Award and induction into the Texas Women s Hall of Fame in 1989.

Phyllis S. Sewell, 79, has served as a director of Sysco since December 1991. Currently retired, she formerly served as Senior Vice President of Federated Department Stores, Inc. Mrs. Sewell is a member of Sysco s Compensation Committee and our Corporate Governance and Nominating Committee.

Key Director Qualifications: Mrs. Sewell earned a Bachelor of Arts degree in Economics with honors from Wellesley College. She gained experience in leadership, corporate strategy and development and marketing through her 36-year career with Federated Department Stores. She ultimately served as Federated s Senior Vice President of Research and Planning with responsibility for corporate and divisional strategic plans, studies of retail merchandising and marketing opportunities and techniques. Mrs. Sewell gained further marketing experience by serving on the Board of Directors of three companies marketing consumer goods and/or services: Huffy Corporation (bicycles and sporting goods), U.S. Shoe (shoes, apparel and eyeglasses) and Lee Enterprises (newspapers and television stations). She also served on the Board of Pitney Bowes, Inc. Mrs. Sewell became regarded as a pioneer for women s rights in the workplace, including becoming one of the first women corporate vice presidents in the country in 1975, serving as one of the first women members of the Board of Directors of a stock-exchange listed company beginning in 1976 and becoming the first female Senior Vice President of Federated in 1979. Honors bestowed upon Mrs. Sewell include being named the Cincinnati Enquirer Woman of the Year in 2003, a Great Living Cincinnatian by the Cincinnati USA regional Chamber in 2003, one of the top 85 Women Business Executives by Industry Week Magazine in 1985 and one of Business Week Magazine s Top 100 Corporate Women in 1976. She received the Alumnae Achievement Award from Wellesley College in 1979 and was inducted in the Ohio Women s Hall of Fame in 1982.

Richard G. Tilghman, 70, has served as a director of Sysco since November 2002. Mr. Tilghman served as Vice Chairman and Director of SunTrust Banks from 1999 until his retirement in 2000. He served as Chairman and Chief Executive Officer of Crestar Financial Corporation, a bank holding company, from 1986 until 1999. Mr. Tilghman is Chairman of Sysco s Audit Committee and is also a member of our Finance Committee.

Key Director Qualifications: After graduating from the University of Virginia with a B.A. in Foreign Affairs and serving in the U.S. Army as a lieutenant, Mr. Tilghman enjoyed a 34-year banking career , including service as Vice Chairman and Director of Suntrust Banks, as well as the former Chairman and CEO of Crestar Financial Corporation, a bank holding company. His career provided him with experience and expertise in the areas of leadership, corporate strategy and development, finance, banking, accounting and risk management. Mr. Tilghman s experience overseeing a business and technology transformation for a series of banks acquired through acquisitions is very important to Sysco as we undertake our ERP/Business Transformation Project to streamline our operations using a common technology platform. Mr. Tilghman also gained high tech and regional marketing experience that has been valuable to Sysco as we have redefined oversight of our operating companies by marketing region and focus on the use of e-Commerce technologies to service Sysco customers more efficiently. Mr. Tilghman s experience also includes approximately 20 years of service on the Board of Directors of Chesapeake Corporation, which was then a leading supplier of cartons, labels, leaflets, and specialty plastic packaging, with manufacturing facilities in Asia, Europe and the U.S. at that time.

Class II Directors whose terms expire at the 2012 Annual Meeting:

Larry C. Glasscock, 62, was appointed as a director of Sysco on September 17, 2010. In March 2010, Mr. Glasscock retired from his position as Chairman of the Board of Directors of WellPoint, Inc., one of the largest health benefits companies in the United States, after serving in the role since November 2005. He also served as WellPoint s President and CEO from November 2004 until July 2007. Mr. Glasscock previously served as Chairman, President and CEO of

Anthem, Inc., a health benefits company, from 2001 to 2004, assuming additional responsibilities as Chairman from 2003 to 2004. Mr. Glasscock has served as a director of Simon Property Group, Inc., a real estate investment trust, since March 2010; a director of Sprint Nextel Corp. since August 2007; and a director of Zimmer Holdings, Inc., a global leader in the design, development, manufacture and marketing of orthopedic reconstructive implants, dental implants, spinal implants, trauma products and related surgical devices, since August 2001. Mr. Glasscock is a member of Sysco s Compensation Committee, our Corporate Governance and Nominating Committee and our Corporate Sustainability Committee.

Key Director Qualifications: Mr. Glasscock attended Cleveland State University, where he received a bachelor s degree in business administration. He later studied at the School of International Banking, participated in the American Bankers Association Conference of Executive Officers, and completed the Commercial Bank Management Program at Columbia University. Mr. Glasscock has developed significant leadership and corporate strategy expertise through over 30 years of business experience, including former service as President and CEO of WellPoint, Inc., COO of CareFirst, Inc., President and

CEO of Group Hospitalization and Medical Services, Inc., President and COO of First American Bank, N.A., and President and CEO of Essex Holdings, Inc. During his tenure at WellPoint, Inc., he played a major role in transforming the company from a regional health insurer into a national healthcare leader and championed company efforts to improve quality and customer service. Throughout his career, Mr. Glasscock has developed expertise in the successful completion and integration of mergers, utilization of technology to improve productivity and customer service, and team building and human capital development. Mr. Glasscock s expertise in the utilization of technology to improve productivity will be valuable to Sysco as we implement and build upon our Business Transformation Project. His knowledge and experience in team building and human capital development are also extremely valuable to Sysco, as management development is one of our CEO s key non-financial goals for fiscal 2011. Mr. Glasscock also has considerable financial experience, as he has supervised the chief financial officers of major corporations. Earlier in his career he served as a bank officer lending to major corporations and supervised assessments of companies creditworthiness. Mr. Glasscock also has significant experience as a public company director and as a member of various committees related to important board functions, including audit, finance, governance and compensation.

Jonathan Golden, 73, has served as a director of Sysco since February 1984. Mr. Golden is a partner of Arnall Golden Gregory LLP, counsel to Sysco. Mr. Golden is a member of Sysco s Finance Committee and our Corporate Sustainability Committee.

Key Director Qualifications: Mr. Golden is a graduate of Princeton University and Harvard Law School. He also has served as an adjunct professor at Emory Law School in Atlanta for eight years. Mr. Golden, who is not considered an independent director, has developed an extensive knowledge of Sysco s business through his service as a director of the Company since 1984 and through Arnall Golden Gregory LLP, a firm that has served as legal advisor to the Company on numerous transactions. Mr. Golden has served as Chairman of that firm for approximately ten years. He personally has a long history of representing participants in the food industry, including manufacturers, distributors and food industry trade associations. Mr. Golden has gained further experience regarding the distribution and supply chain of foodservice companies as a member of the Board of Directors of a major privately-held food manufacturer that is the leader in the frozen food industry and sells to foodservice customers, particularly in-store bakeries and retail marketplaces. In addition to his legal and regulatory experience and focus on corporate responsibility, Mr. Golden has developed a knowledge of other public company Board practices through his past service on the Boards of The Profit Recovery Group International, Inc., Intermedics, Inc., Automatic Service Company and Butler Shoe Corp.

Joseph A. Hafner, Jr., 65, has served as a director of Sysco since November 2003. In November 2006, Mr. Hafner retired as Chairman of Riviana Foods, Inc., a position he had held since March 2005. He served as President and Chief Executive Officer of Riviana from 1984 until March 2004. Mr. Hafner is Chairman of Sysco s Finance Committee and is also a member of our Audit Committee and our Corporate Sustainability Committee.

Key Director Qualifications: Mr. Hafner attended Dartmouth College, where he graduated cum laude, then earned a master of business administration degree with high distinction from Dartmouth s Amos Tuck School of Business Administration. After graduation, Mr. Hafner served for two years in the Latin American Internship Program of Cornell University and the Ford Foundation in Lima, Peru, followed by two years with the Arthur Andersen & Co. accounting firm in Houston. In 1971, Mr. Hafner began his career with Riviana Foods, Inc. in Guatemala City as Controller of Riviana s Central American Division. For over 30 years, Mr. Hafner worked in positions of increasing authority for Riviana, a company that processed, marketed and distributed rice products in the U.S. and Europe, as well as other food products in Central America and Europe. Mr. Hafner continued his international exposure through the oversight of Riviana s rice operations in South Africa and Australia. His career culminated in his service as President and CEO of Riviana for over 20 years, providing him with experience in the areas of leadership, corporate strategy and development, the foodservice industry, distribution and supply chains, finance and accounting and international operations. In addition, Mr. Hafner has developed finance and accounting expertise during his career at Arthur Andersen and Riviana and is a member of the American Institute of Certified Professional Accountants.

Nancy S. Newcomb, 65, has served as a director of Sysco since February 2006. Ms. Newcomb served as Senior Corporate Officer, Risk Management, of Citigroup from May 1998 until her retirement in 2004. She served as a customer group executive of Citicorp (the predecessor corporation of Citigroup) from December 1995 to April 1998, and as a division executive, Latin America from September 1993 to December 1995. From January 1988 to August 1993 she was the principal financial officer, responsible for liquidity, funding and capital management. Ms. Newcomb is also a director of Moody s Corporation and The DIRECTV Group, Inc. Ms. Newcomb is a member of Sysco s Audit Committee and our Finance Committee.

Key Director Qualifications: Ms. Newcomb is a graduate of Connecticut College and received a Master s Degree in Economics from Boston University. She also completed Harvard Business School s Management Development Program. Ms. Newcomb s 30-year career with Citigroup, a major international financial services company, and its predecessors Citicorp and Citibank, provided her with experience in the areas of leadership, corporate strategy and development, finance, risk management and international operations. Ms. Newcomb developed extensive risk management experience throughout her career, including holding the position of Citigroup s Senior Corporate Officer of Risk Management for the last six years of her career. In the areas of Finance and International Operations, Ms. Newcomb served as Customer Group Executive, Division Executive for Latin America and Principal Financial Officer responsible for worldwide treasury operations, including liquidity, funding and capital management.

Unless otherwise noted, the persons named above have been engaged in the principal occupations shown for the past five years or longer.

Kenneth F. Spitler retired as an officer and director of the company on February 5, 2010. He formerly served as a Class II director. Following Mr. Spitler s resignation, the Board reduced its size from 12 to 11 members. The Board subsequently increased its size to 12 members when Mr. Glasscock was appointed in September 2010.

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS MATTERS

Corporate Governance Guidelines

The Board of Directors has adopted the Sysco Corporation Corporate Governance Guidelines. These guidelines outline the functions of the Board, director responsibilities, and various processes and procedures designed to ensure effective and responsive governance. These guidelines also outline qualities and characteristics we consider when determining whether a member or candidate is qualified to serve on the Board, including diversity, skills, experience, time available and the number of other boards the member sits on, in the context of the needs of the Board and Sysco. We review these guidelines from time to time in response to changing regulatory requirements and best practices and revise them accordingly. The guidelines were last revised in May 2010. We have published the Corporate Governance Guidelines on our website under Investors Corporate Governance at *www.sysco.com*.

Codes of Conduct

We require all of our officers and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, to comply with our Code of Conduct applicable to Sysco employees to help ensure that we conduct our business in accordance with the highest standards of moral and ethical behavior. This Code of Conduct addresses the following, among other topics:

- professional conduct, including customer relationships, equal opportunity, payment of gratuities and receipt of payments or gifts,
- competition and fair dealing,
- compliance with the Foreign Corrupt Practices Act,
- political contributions,
- antitrust,
- conflicts of interest,
- legal compliance, including compliance with laws addressing insider trading,
- financial disclosure,
- intellectual property, and
- confidential information.

This Code, which was amended and restated in August 2010, effective as of November 1, 2010, requires strict adherence to all laws and regulations applicable to our business and requires employees to report any violations or suspected violations of the Code. In August 2010, we also adopted a separate Code of Conduct applicable to non-employee directors that is similar in scope to the employee Code but is tailored to the issues and concerns facing Sysco directors. We have published the Codes of Conduct for employees and non-employee directors on our website under Investors Corporate Governance at *www.sysco.com*. We intend to disclose any future amendments to or waivers of our Code applicable to our principal executive officer, principal financial officer, principal accounting officer and controller, as well as any employees performing similar functions, on our website at *www.sysco.com* under the heading Investors Corporate Governance.

Director Independence

nbsp;

Cash Flows from Investing Activities:

Capital expenditures, including exploration expense

(25,246) (22,459)

Proceeds from sale of property and equipment

6,305 2,997

Net Cash Used in Investing Activities

(18,941) (19,462)

Cash Flows from Financing Activities:

Purchase of stock for treasury

(2,553) (2,977)

Purchase of non-controlling interests

(233) (14)

Proceeds from long-term bank debt and other long-term obligations

40,088 37,250

Repayment of long-term bank debt and other long-term obligations

(62,719) (42,401)

Distribution to non-controlling interests

(264) (182)

Net Cash Used in Financing Activities

(25,681) (8,324)

Net (Decrease) Increase in Cash and Cash Equivalents

(333) 2,920

Cash and Cash Equivalents at the Beginning of the Period

	9,526	8,602
Cash and Cash Equivalents at the End of the Period	$9,193	$11,522
Supplemental Disclosures:		
Income taxes paid (refunded)	$320	$(63)
Interest paid	$3,111	$3,187

The accompanying notes are an integral part of these condensed consolidated financial statements

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PRIMEENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

(1) Basis of Presentation:

The accompanying condensed consolidated financial statements of PrimeEnergy Corporation (PEC or the Company) have not been audited by independent public accountants. Pursuant to applicable Securities and Exchange Commission (SEC) rules and regulations, the accompanying interim financial statements do not include all disclosures presented in annual financial statements and the reader should refer to the Company s Form 10-K for the year ended December 31, 2013. In the opinion of management, the accompanying interim condensed consolidated financial statements contain all material adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company s condensed consolidated balance sheets as of September 30, 2014 and December 31, 2013, the condensed consolidated results of operations for the three and nine months ended September 30, 2014 and 2013, and the condensed consolidated results of cash flows and equity for the nine months ended September 30, 2014 and 2013. Certain amounts presented in prior period financial statements have been reclassified for consistency with current period presentation. The results for interim periods are not necessarily indicative of annual results. For purposes of disclosure in the condensed consolidated financial statements, subsequent events have been evaluated through the date the statements were issued.

Recently Issued Accounting Pronouncements:

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU 2013-11 provided guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance requires entities to present unrecognized tax benefits as a decrease in a net operating loss, similar tax loss, or tax credit carryforward if certain criteria are met. The guidance will eliminate the diversity in practice in the presentation of unrecognized tax benefits but will not alter the way in which entities assess deferred tax assets for realizability. ASU No. 2013-11 is effective for annual and interim reporting periods beginning after December 15, 2013. The requirements of ASU 2013-11 did not have a material impact on the Company s condensed consolidated financial position, results of operations or cash flows.

(2) Acquisitions and Dispositions:

Historically the Company has repurchased the interests of the partners and trust unit holders in the eighteen oil and gas limited partnerships (the Partnerships) and the two asset and business income trusts (the Trusts) managed by the Company as general partner and as managing trustee, respectively. The Company purchased such interests in amounts totaling $233,000 and $14,000 for the nine months ended September 30, 2014 and 2013, respectively.

(3) Restricted Cash and Cash Equivalents:

Restricted cash and cash equivalents include $3.51 million and $2.01 million at September 30, 2014 and December 31, 2013, respectively, of cash primarily pertaining to oil and gas revenue payments. There were corresponding accounts payable recorded at September 30, 2014 and December 31, 2013 for these liabilities. Both the restricted cash and the accounts payable are classified as current on the accompanying condensed consolidated balance sheets.

(4) Additional Balance Sheet Information:

Certain balance sheet amounts are comprised of the following:

(Thousands of dollars)	**September 30, 2014**	**December 31, 2013**
Accounts Receivable:		
Joint interest billing	$ 3,322	$ 6,287
Trade receivables	2,120	2,014
Oil and gas sales	9,441	9,604
Other	2,285	122
	17,168	18,027
Less: Allowance for doubtful accounts	(543)	(334)
Total	$ 16,625	$ 17,693

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(Thousands of dollars)	September 30, 2014	December 31, 2013
Accounts Payable:		
Trade	$ 3,534	$ 1,596
Royalty and other owners	9,106	7,391
Partner advances	3,160	3,378
Prepaid drilling deposits	340	978
Other	1,754	2,906
Total	$ 17,894	$ 16,249
Accrued Liabilities:		
Compensation and related expenses	$ 6,909	$ 3,062
Property costs	7,725	3,119
Income tax	322	268
Other	422	383
Total	$ 15,378	$ 6,832

(5) Property and Equipment:

Property and equipment at September 30, 2014 and December 31, 2013 consisted of the following:

(Thousands of dollars)	September 30, 2014	December 31, 2013
Proved oil and gas properties, at cost	$ 388,128	$ 364,123
Less: Accumulated depletion and depreciation	(183,398)	(169,100)
Oil and Gas Properties, Net	$ 204,730	$ 195,023
Field and office equipment	$ 26,867	$ 26,653
Less: Accumulated depreciation	(14,144)	(13,251)
Field and Office Equipment, Net	$ 12,723	$ 13,402
Total Property and Equipment, Net	$ 217,453	$ 208,425

(6) Long-Term Bank Debt:

***Bank Debt*:**

Effective July 30, 2010, the Company entered into a Second Amended and Restated Credit Agreement between Compass Bank as agent and a syndicated group of lenders (Credit Agreement). The Credit Agreement has a revolving line of credit and letter of credit facility of up to $250 million with a final maturity date of July 30, 2017. The credit facility is secured by substantially all of the Company s oil and gas properties. The credit facility is subject to a borrowing base determined by the lenders taking into consideration the estimated value of PEC s oil and gas properties in accordance with the lenders customary practices for oil and gas loans. This process involves reviewing PEC s estimated proved reserves and their valuation. The borrowing base is redetermined semi-annually, and the available borrowing amount could be increased or decreased as a result of such redetermination. In addition, PEC and the lenders each have at their discretion the right to request the borrowing base be redetermined with a maximum of one such request each year. A revision to PEC s reserves may prompt such a request on the part of the lenders, which could possibly result in a reduction in the borrowing base and availability under the credit facility. At any time if the sum of the outstanding borrowings and letter of credit exposures exceed the applicable portion of the borrowing base, PEC would be required to repay the excess amount within a prescribed period.

At September 30, 2014, the credit facility borrowing base was $160.0 million with no required monthly reduction amount. The borrowings made within the credit facility may be placed in a base rate loan or LIBO rate loan. The Company s borrowing rates in the credit facility provide for base rate loans at the prime rate (3.25% at September 30, 2014) plus applicable margin utilization rates that range from 1.50% to 2.00%, and LIBO rate loans at LIBO published rates plus applicable utilization rates (2.50% to 3.00% at September 30, 2014). At September 30, 2014, the Company had in place one base rate loan and one LIBO rate loan with effective rates of 4.75% and 2.65%, respectively.

At September 30, 2014, the Company had a total of $86.5 million of borrowings outstanding under its revolving credit facility at a weighted-average interest rate of 3.32% and $73.5 million available for future borrowings. The combined weighted average interest rate paid on outstanding bank borrowings subject to base rate and LIBO interest was 3.48% for the nine months ended September 30, 2014 as compared to 3.53% for the nine months ended September 30, 2013.

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On July 31, 2013, the Company entered into a $10.0 million Loan and Security Agreement with JP Morgan Chase Bank (Equipment Loan). The Equipment Loan is secured by a portion of the Company s field service equipment, carries an interest rate of 3.95% per annum, requires monthly payments (principal and interest) of $184,000, and has a final maturity date of July 31, 2018. As of September 30, 2014, the Company had a total of $8.0 million outstanding on the Equipment Loan.

On July 29, 2014, the Company entered into additional equipment financing facilities totaling $6.0 million with JP Morgan Chase Bank. In August 2014, the Company drew down $4.8 million of this facility that is secured by recently purchased field service equipment, carries an interest rate of 3.40% per annum, requires monthly payments (principal and interest) of $87,800, and has a final maturity date of July 31, 2019. As of September 30, 2014, the Company had a total of $4.8 million outstanding on this facility. The remaining $1.2 million under this facility is available to finance the acquisition of any future field service equipment.

The Company entered into interest rate hedge agreements to help manage interest rate exposure. These contracts include interest rate swaps. Interest rate swap transactions generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying principal amounts. In July 2012, the Company entered into interest swap agreements for a period of two years, which commenced in January 2014, related to $75 million of the Company s bank debt resulting in a LIBO fixed rate of 0.563%. For the nine months ended September 30, 2014, the Company recorded interest expense and paid $210,000 related to the settlement of interest rate swaps.

(7) Other Long-Term Obligations and Commitments:

Operating Leases:

The Company has several non-cancelable operating leases, primarily for rental of office space, that have a term of more than one year. The future minimum lease payments for the rest of fiscal 2014 and thereafter for the operating leases are as follows:

(Thousands of dollars)	**Operating Leases**
2014	$ 188
2015	651
2016	545
2017	46
Total minimum payments	$ 1,430

Rent expense for office space for the nine months ended September 30, 2014 and 2013 was $579,000 and $548,000, respectively.

Asset Retirement Obligation:

A reconciliation of the liability for plugging and abandonment costs for the nine months ended September 30, 2014 is as follows:

(Thousands of dollars)

Asset retirement obligation	December 31, 2013	$ 10,537
Liabilities incurred		1,579
Liabilities settled		(642)
Gain on settlement of liabilities		(1,787)
Accretion expense		275
Revisions in estimated liabilities		
Asset retirement obligation	September 30, 2014	$ 9,962

The Company s liability is determined using significant assumptions, including current estimates of plugging and abandonment costs, annual inflation of these costs, the productive life of wells and a risk-adjusted interest rate. Changes in any of these assumptions can result in significant revisions to the estimated asset retirement obligation. Revisions to the asset retirement obligation are recorded with an offsetting change to producing properties, resulting in prospective changes to depreciation, depletion and amortization expense and accretion of discount. Because of the subjectivity of assumptions and the relatively long life of most of the Company s wells, the costs to ultimately retire the wells may vary significantly from previous estimates. In 2014, the Company recognized a gain on the settlement of asset retirement obligations associated with insurance recoveries related to obligations previously recognized on the plugging and abandonment of a well.

(8) Contingent Liabilities:

The Company, as managing general partner of the affiliated Partnerships, is responsible for all Partnership activities, including the drilling of development wells and the production and sale of oil and gas from productive wells. The Company also provides the administration, accounting and tax preparation work for the Partnerships, and is liable for all debts and liabilities of the affiliated Partnerships, to the extent that the assets of a given limited Partnership are not sufficient to satisfy its obligations. As of September 30, 2014, the affiliated Partnerships have established cash reserves in excess of their debts and liabilities and the Company believes these reserves will be sufficient to satisfy Partnership obligations.

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The Company is subject to environmental laws and regulations. Management believes that future expenses, before recoveries from third parties, if any, will not have a material effect on the Company s financial condition. This opinion is based on expenses incurred to date for remediation and compliance with laws and regulations, which have not been material to the Company s results of operations.

From time to time, the Company is party to certain legal actions arising in the ordinary course of business. While the outcome of these events cannot be predicted with certainty, management does not expect these matters to have a materially adverse effect on the financial position or results of operations of the Company.

(9) Stock Options and Other Compensation:

In May 1989, non-statutory stock options were granted by the Company to four key executive officers for the purchase of shares of common stock. At September 30, 2014 and 2013, remaining options held by two key executive officers on 767,500 shares were outstanding and exercisable at prices ranging from $1.00 to $1.25. According to their terms, the options have no expiration date.

(10) Related Party Transactions:

The Company, as managing general partner or managing trustee, makes an annual offer to repurchase the interests of the partners and trust unit holders in certain of the Partnerships or Trusts. The Company purchased such interests in amounts totaling $233,000 and $14,000 for the nine months ended September 30, 2014 and 2013, respectively.

Treasury stock purchases in any reported period may include shares from a related party, which may include members of the Company s Board of Directors.

Receivables from related parties consist of reimbursable general and administrative costs, lease operating expenses and reimbursement for property development and related costs. These receivables are due from joint venture partners, which may include members of the Company s Board of Directors.

Payables owed to related parties primarily represent receipts collected by the Company as agent for the joint venture partners, which may include members of the Company s Board of Directors, for oil and gas sales net of expenses.

(11) Financial Instruments:

Fair Value Measurements:

Authoritative guidance on fair value measurements defines fair value, establishes a framework for measuring fair value and stipulates the related disclosure requirements. The Company follows a three-level hierarchy, prioritizing and defining the types of inputs used to measure fair value. The fair values of the Company s interest rate swaps, natural gas and crude oil price collars and swaps are designated as Level 3. The following fair value hierarchy table presents information about the Company s assets and liabilities measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013:

<u>**September 30, 2014**</u> *(Thousands of dollars)*	**Quoted Prices in Active Markets For Identical**	**Significant Other Observable**	**Significant Unobservable Inputs (Level 3)**	**Balance as of September 30, 2014**

	Assets (Level 1)	Inputs (Level 2)		
Assets				
Commodity derivative contracts	$	$	$ 1,774	$ 1,774
Interest rate derivative contracts			42	42
Total assets	$	$	$ 1,816	$ 1,816
Liabilities				
Commodity derivative contracts	$	$	$ (86)	$ (86)
Interest rate derivative contracts			(229)	(229)
Total liabilities	$	$	$ (315)	$ (315)

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December 31, 2013 (*Thousands of dollars*)	**Quoted Prices in Active Markets For Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Balance as of December 31, 2013**
Assets				
Commodity derivative contracts	$	$	$ 1,337	$ 1,337
Interest rate derivative contracts			86	86
Total assets	$	$	$ 1,423	$ 1,423
Liabilities				
Commodity derivative contracts	$	$	$ (2,010)	$ (2,010)
Interest rate derivative contracts			(278)	(278)
Total liabilities	$	$	$ (2,288)	$ (2,288)

The derivative contracts were measured based on quotes from the Company s counterparties. Such quotes have been derived using valuation models that consider various inputs including current market and contractual prices for the underlying instruments, quoted forward prices for natural gas and crude oil, volatility factors and interest rates, such as a LIBOR curve for a similar length of time as the derivative contract term as applicable. These estimates are verified using comparable NYMEX futures contracts or are compared to multiple quotes obtained from counterparties for reasonableness.

The significant unobservable inputs for Level 3 derivative contracts include basis differentials and volatility factors. An increase (decrease) in these unobservable inputs would result in an increase (decrease) in fair value, respectively. The Company does not have access to the specific assumptions used in its counterparties valuation models. Consequently, additional disclosures regarding significant Level 3 unobservable inputs were not provided.

The following table sets forth a reconciliation of changes in the fair value of financial assets and liabilities classified as Level 3 in the fair value hierarchy for the nine months ended September 30, 2014.

(*Thousands of dollars*)	
Net liabilities December 31, 2013	$ (865)
Total realized and unrealized gains / losses:	
Included in earnings (a)	(421)
Included in other comprehensive income	5
Purchases, sales, issuances and settlements	2,782
Net assets September 30, 2014	$ 1,501

(a) Derivative instruments are reported in revenues as realized gain/loss and on a separately reported line item captioned unrealized gain/loss on derivative instruments, and interest rate swap instruments are reported as an increase or reduction to interest expense.

Derivative Instruments:

The Company is exposed to commodity price and interest rate risk, and management considers periodically the Company s exposure to cash flow variability resulting from the commodity price changes and interest rate fluctuations. Futures, swaps and options are used to manage the Company s exposure to commodity price risk inherent in the Company s oil and gas production operations. The Company does not apply hedge accounting to any of its commodity based derivatives. Both realized and unrealized gains and losses associated with derivative instruments are recognized in earnings.

Interest rate swap derivatives are treated as cash-flow hedges and are used to fix or float interest rates on existing debt. The value of these interest rate swaps at September 30, 2014 and December 31, 2013 is located in accumulated other comprehensive loss, net of tax. Settlement of the swaps, which began in January 2014, is recorded within interest expense.

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The following table sets forth the effect of derivative instruments on the condensed consolidated balance sheets at September 30, 2014 and December 31, 2013:

		Fair Value	
(Thousands of dollars)	**Balance Sheet Location**	**September 30, 2014**	**December 31, 2013**
Asset Derivatives:			
Derivatives designated as cash-flow hedging instruments:			
Interest rate swap contracts	Other assets	$ 42	$ 86
Derivatives not designated as cash-flow hedging instruments:			
Crude oil commodity contracts	Other current assets	1,041	307
Natural gas commodity contracts	Other current assets	308	50
Crude oil commodity contracts	Other assets	362	980
Natural gas commodity contracts	Other assets	63	
Total		$ 1,816	$ 1,423
Liability Derivatives:			
Derivatives designated as cash-flow hedging instruments:			
Interest rate swap contracts	Derivative liability short-term	$ (229)	$ (209)
Interest rate swap contracts	Derivative liability long-term		(69)
Derivatives not designated as cash-flow hedging instruments:			
Crude oil commodity contracts	Derivative liability short-term	(12)	(1,667)
Natural gas commodity contracts	Derivative liability short-term	(72)	(318)
Crude oil commodity contracts	Derivative liability long-term		(25)
Natural gas commodity contracts	Derivative liability long-term	(2)	
Total		$ (315)	$ (2,288)
Total derivative instruments		$ 1,501	$ (865)

The following table sets forth the effect of derivative instruments on the condensed consolidated statement of operations for the nine-month periods ended September 30, 2014 and 2013:

		Amount of gain/loss recognized in income	
(Thousands of dollars)	**Location of gain/loss recognized in income**	**2014**	**2013**
Derivative designated as cash-flow hedge instruments:			

Interest rate swap contracts	Interest expense	$ (210)	$
Derivatives not designated as cash-flow hedge instruments			
Natural gas commodity contracts	Unrealized loss on derivative instruments, net	565	(437)
Crude oil commodity contracts	Unrealized gain (loss) on derivative instruments, net	1,796	2,834
Natural gas commodity contracts (a)	Realized gain (loss) on derivative instruments, net	(580)	331
Crude oil commodity contracts	Realized loss on derivative instruments, net	(1,992)	(257)
		$ (421)	$ 2,471

(a) In January 2014, the Company unwound and monetized natural gas swaps with original settlement dates from January 2015 through December 2015 for net proceeds of $276,000. In September 2014, the Company unwound and monetized crude oil swaps with original settlement dates from January 2016 through December 2016 for net proceeds of $703,000. The $979,000 gains associated with these early settlement transactions are included in realized gain on derivative instruments for the nine months ended September 30, 2014.

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(12) Earnings Per Share:

Basic earnings per share are computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect per share amounts that would have resulted if dilutive potential common stock had been converted to common stock in gain periods. The following reconciles amounts reported in the financial statements:

	Nine Months Ended September 30,					
	2014			2013		
	Net Income (In 000 s)	Weighted Average Number of Shares Outstanding	Per Share Amount	Net Income (In 000 s)	Weighted Average Number of Shares Outstanding	Per Share Amount
Basic	$ 16,841	2,367,602	$ 7.11	$ 10,584	2,448,743	$ 4.32
Effect of dilutive securities:						
Options		753,464			743,966	
Diluted	$ 16,841	3,121,066	$ 5.40	$ 10,584	3,192,709	$ 3.32

	Three Months Ended September 30,					
	2014			2013		
	Net Income (In 000 s)	Weighted Average Number of Shares Outstanding	Per Share Amount	Net Income (In 000 s)	Weighted Average Number of Shares Outstanding	Per Share Amount
Basic	$ 10,799	2,356,766	$ 4.58	$ 2,232	2,415,303	$ 0.92
Effect of dilutive securities:						
Options		754,847			749,664	
Diluted	$ 10,799	3,111,613	$ 3.47	$ 2,232	3,164,967	$ 0.71

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Report may contain statements relating to the future results of the Company that are considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 (the PSLRA). In addition, certain statements may be contained in the Company s future filings with the SEC, in press releases, and in oral and written statements made by or with the approval of the Company that are not statements of historical fact and constitute forward-looking statements within the meaning of the PSLRA. Such forward-looking statements, in addition to historical information, which involve risk and uncertainties, are based on the beliefs, assumptions and expectations of management of the Company. Words such as expects , believes , should , plans , anticipates , will , potential , intend , may , outlook , predict , project , would , estimates , assumes , likely and variations of such simil intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks and uncertainties and are based on a number of assumptions that could ultimately prove inaccurate and, therefore, there can be no assurance that they will prove to be accurate. Actual results and outcomes may vary materially from what is expressed or forecast in such statements due to various risks and uncertainties. These risks and uncertainties include, among other things, the possibility of drilling cost overruns and technical difficulties, volatility of oil and gas prices, competition, risks inherent in the Company s oil and gas operations, the inexact nature of interpretation of seismic and other geological and geophysical data, imprecision of reserve estimates, and the Company s ability to replace and expand oil and gas reserves. Accordingly, stockholders and potential investors are cautioned that certain events or circumstances could cause actual results to differ materially from those projected. The forward-looking statements are made as of the date of this report and other than as required by the federal securities laws, the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

The following discussion is intended to assist you in understanding our results of operations and our present financial condition. Our Condensed Consolidated Financial Statements and the accompanying Notes to the Condensed Consolidated Financial Statements included elsewhere in this Report contain additional information that should be referred to when reviewing this material.

OVERVIEW

We are an independent oil and natural gas company engaged in acquiring, developing and producing oil and natural gas. We presently own producing and non-producing properties located primarily in Texas, Oklahoma, West Virginia, the Gulf of Mexico, New Mexico, Colorado and Louisiana. In addition, we own a substantial amount of well servicing equipment. All of our oil and gas properties and interests are located in the United States. Assets in our principal focus areas include mature properties with long-lived reserves and significant development opportunities as well as newer properties with development and exploration potential. We believe our balanced portfolio of assets and our ongoing hedging program position us well for both the current commodity price environment and future potential upside as we develop our attractive resource opportunities. Our primary sources of liquidity are cash generated from our operations and our credit facility.

We attempt to assume the position of operator in all acquisitions of producing properties and will continue to evaluate prospects for leasehold acquisitions and for exploration and development operations in areas in which we own interests. We continue to actively pursue the acquisition of producing properties. In order to diversify and broaden our asset base, we will consider acquiring the assets or stock in other entities and companies in the oil and gas business. Our main objective in making any such acquisitions will be to acquire income producing assets so as to build stockholder value through consistent growth in our oil and gas reserve base on a cost-efficient basis.

Our cash flows depend on many factors, including the price of oil and gas, the success of our acquisition and drilling activities and the operational performance of our producing properties. We use derivative instruments to manage our commodity price risk. This practice may prevent us from receiving the full advantage of any increases in oil and gas prices above the maximum fixed amount specified in the derivative agreements and subjects us to the credit risk of the counterparties to such agreements. Since all of our derivative contracts are accounted for under mark-to-market accounting, we expect continued volatility in gains and losses on mark-to-market derivative contracts in our consolidated income statement as changes occur in the NYMEX price indices.

RECENT ACTIVITIES

During 2014, we continued our drilling program in our West Texas and Mid-Continent regions. It is our goal to increase our oil and gas reserves and production through the acquisition and development of oil and gas properties. Based upon the results of horizontal wells drilled by us and other offsetting operators and historical vertical well performance, we have decided to reduce the number of vertical wells in our drilling program and drill more horizontal wells. We believe horizontal development of our resource base will provide the opportunity to improve returns relative to vertical drilling by accessing a larger base of reserves in target zones with a lateral wellbore. Through November 10, 2014, we have participated in the drilling of 23 gross (10.9 net) wells; 14 of these wells are currently producing and the remainder are drilling or awaiting completion.

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We intend to drill a total of approximately 25 gross (11.5 net) wells this year, primarily in the West Texas and Oklahoma areas at a net cost of $30 million. During 2014 we have participated in the drilling of 10 horizontal wells in our Mid-Continent region under various joint venture agreements, and expect 7 more wells to be drilled in the fourth quarter of 2014 and first quarter of 2015. This horizontal development is primarily in Grant and Canadian counties where we have approximately 6,450 net acres which we believe has significant resource potential based on drilling results and those of offset operators. In addition, we expect to begin our West Texas, Upton County horizontal drilling program in the first quarter of 2015, drilling up to 9 wells in this phase at a net cost of approximately $35 million. Discussions with our joint venture partner, in that program, Apache Corporation, indicate that including additional phases of development in the program, will result in approximately 60 horizontal wells being drilled over the next 18 to 24 months at a cost of approximately $470 million. We own various interests, ranging from 33% up to 50% interest in the lands to be developed in the program, and expect our share of these capital expenditures to be approximately $150 million. We maintain an acreage position of over 26,000 gross (16,500 net) acres in the Permian Basin in West Texas, primarily in Reagan, Upton, Martin and Midland counties. We have currently identified 64 proved undeveloped drilling locations there and believe this acreage has significant resource potential in the Spraberry and Wolfcamp intervals for additional drilling locations opportunities.

RESULTS OF OPERATIONS

2014 and 2013 Compared

We reported net income attributable to PrimeEnergy for the three and nine months ended September 30, 2014 of $10.80 million, or $4.58 per share and $16.84 million, or $7.11 per share, respectively as compared to $2.23 million, or $0.92 per share and $10.58 million, or $4.32 per share for the three and nine months ended September 30, 2013, respectively. Net income increased by $8.57 million or 384% and $6.26 million or 59% for the three and nine months ended September 30, 2014 as compared to the same periods during 2013 primarily due to an increase in unrealized gains on derivative instruments, gains on the sale of non-essential oil and gas interests and a $1.79 million net gain recognized in the third quarter of 2014 on insurance recoveries partially offset by an increase in related income tax provisions. Unrealized gains on derivative instruments increased by $12.23 million and $3.83 million for the three and nine months ended September 30, 2014, respectively as compared to the same periods in 2013 largely due to a decrease in future crude oil commodity prices during the 2014 periods as compared to crude oil commodity contracts held at December 31, 2013. During nine months ended September 30, 2014 we have recognized gains on the sale of non-essential oil and gas interests and field service equipment of $5.62 million as compared to $2.52 the same period in 2013.

The significant components of net income are discussed below.

Oil and gas sales decreased $2.58 million, or 10% from $25.95 million for the three months ended September 30, 2013 to $23.37 million for the three months ended September 30, 2014 and increased $2.20 million, or 3% from $71.44 million for the nine months ended September 30, 2013 to $73.64 million for the nine months ended September 30, 2014. Crude oil and natural gas sales vary due to changes in volumes of production sold and realized commodity prices. Our realized prices at the well head decreased an average of $15.16 per barrel, or 14% and $1.59 per barrel, or 2% on crude oil during the three and nine months ended September 30, 2014, respectively from the same periods in 2013 while our average well head price for natural gas increased $0.03 per mcf, or 1% and $0.61 per mcf, or 12% during the three and nine months ended September 30, 2014, respectively from the same periods in 2013.

Our crude oil production increased by 6,000 barrels, or 3% from 188,000 barrels for the third quarter 2013 to 194,000 barrels for the third quarter 2014 and increased by 17,000 barrels, or 3% from 560,000 for the nine months ended September 30, 2013 to 577,000 barrels for the nine months ended September 30, 2014. Our natural gas production decreased by 36,000 mcf, or 3% from 1,242,000 mcf for the third quarter 2013 to 1,206,000 mcf for the third quarter 2014 and decreased by 116,000 mcf, or 3% from 3,667,000 mcf for the nine months ended September 30, 2013 to 3,551,000 mcf for the nine months ended September 30, 2014. The increase in crude oil production volumes are a result of our continued drilling success in West Texas, Gulf Coast and Oklahoma regions as we place new wells into production, partially offset by the natural decline of existing properties.

The following table summarizes the primary components of production volumes and average sales prices realized for the three and nine months ended September 30, 2014 and 2013 (excluding realized gains and losses from derivatives).

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	**2013**	**Increase / (Decrease)**	**2014**	**2013**	**Increase / (Decrease)**
Barrels of Oil Produced	194,000	188,000	6,000	577,000	560,000	17,000
Average Price Received	$ 89.79	$ 104.95	$ (15.16)	$ 93.07	$ 94.66	$ (1.59)
Oil Revenue (In 000 s)	$ 17,377	$ 19,807	$ (2,430)	$ 53,656	$ 53,031	$ 625
Mcf of Gas Produced	1,206,000	1,242,000	(36,000)	3,551,000	3,667,000	(116,000)
Average Price Received	$ 4.97	$ 4.94	$ 0.03	$ 5.63	$ 5.02	$ 0.61
Gas Revenue (In 000 s)	$ 5,995	$ 6,141	$ (146)	$ 19,980	$ 18,411	$ 1,569
Total Oil & Gas Revenue (In 000 s)	$ 23,372	$ 25,948	$ (2,576)	$ 73,636	$ 71,442	$ 2,194

Realized gain (loss) on derivative instruments, net include net gains of $0.02 million and $0.13 million on the settlements of natural gas and crude oil derivatives, respectively for the third quarter 2014 and net gains of $0.24 million and net losses of $1.44 million on the settlements of natural gas and crude oil derivatives, respectively for the third quarter 2013. Realized gain (loss) on derivative instruments include net losses of $0.58 million and $1.99 million on the settlements of natural gas and crude oil derivatives, respectively for the nine months ended September 30, 2014 and net gains of $0.57 million and net losses of $1.70 million on the settlements of natural gas and crude oil derivatives, respectively for the nine months ended September 30, 2013. In the third quarter of 2014, we unwound and monetized crude oil swaps with original settlement dates from January 2016 through December 2016 for net proceeds of $0.70 million. The $0.70 million gain associated with this early settlement transaction is included in realized gain on derivative instruments for the three and nine months ended September 30, 2014. In addition, during the first quarter of 2014, we unwound and monetized natural gas swaps with original settlement dates from January 2015 through December 2015 for net proceeds of $0.28 million. The $0.28 million gain associated with this early settlement transaction is included in realized gain on derivative instruments for the nine months ended September 30, 2014.

Oil and gas prices received including the impact of derivatives but excluding the early settlement transactions were:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Decrease	2014	2013	Increase (Decrease)
Oil Price	$ 90.48	$ 97.32	$ (6.84)	$ 89.62	$ 91.63	$ (2.01)
Gas Price	$ 4.98	$ 5.13	$ (0.15)	$ 5.46	$ 5.18	$ 0.28

We do not apply hedge accounting to any of our commodity based derivatives, thus changes in the fair market value of commodity contracts held at the end of a reported period, referred to as mark-to-market adjustments, are recognized as unrealized gains and losses in the accompanying condensed consolidated statements of operations. As oil and natural gas prices remain volatile, mark-to-market accounting treatment creates volatility in our revenues. During the three and nine months ended September 30, 2014, we recognized net unrealized gains of $0.88 million and $0.56 million, respectively associated with natural gas fixed swap contracts and net unrealized gains of $7.48 million and $1.80 million, respectively associated with crude oil fixed swaps and collars due to market fluctuations in natural gas and crude oil futures market prices between December 31, 2013 and September 30, 2014. During the three and nine months ended September 30, 2013, we recognized net unrealized losses of $0.06 million and $0.49 million, respectively associated with natural gas fixed swap contracts and net unrealized losses of $3.81 million and $0.98 million, respectively associated with crude oil fixed swaps and collars due to market fluctuations in natural gas and crude oil futures market prices between December 31, 2012 and September 30, 2013.

Field service income decreased $0.30 million, or 4% from $6.77 million for the third quarter 2013 to $6.47 million for the third quarter 2014 and increased $1.48 million, or 8% from $18.35 million for the nine months ended September 30, 2013 to $19.83 million for the nine months ended September 30, 2014. This underlying increase is a result of adding service equipment during the latter periods of 2013. Workover rig services represent the bulk of our field service operations, and with the upgrading of our rigs during late 2013, income from rigs has increased during 2014 in our most active districts. In addition, income from water hauling and disposal services in our South Texas district have generally recovered from a slight down turn due to increased competition in the area during the first half of 2013, and income from hot oiler services have increased in our West Texas district with the addition of service equipment in the area.

Lease operating expense decreased $0.35 million, or 3% from $11.33 million for the third quarter 2013 to $10.98 million for the third quarter 2014 and increased $0.81 million, or 3% from $32.31 million for the nine months ended September 30, 2013 to $33.12 million for the nine months ended September 30, 2014. This underlying increase is primarily due to higher pumper / labor costs and salt water disposal costs associated with new wells coming on line from the recent drilling success in West Texas partially offset by increased expensed workovers incurred during the third quarter 2013.

Field service expense decreased $0.37 million, or 7% from $5.52 million for the third quarter 2013 to $5.15 million for the third quarter 2014 and increased $0.50 million, or 3% from $15.22 million for the nine months ended September 30, 2013 to $15.72 million for the nine months ended September 30, 2014. Field service expenses primarily consist of salaries and vehicle operating expenses which have increased during the nine months ended September 30, 2014 over the same period of 2013 as a direct result of increased services and utilization of the equipment.

Depreciation, depletion, amortization and accretion on discounted liabilities increased $0.61 million, or 12% from $5.18 million for the third quarter 2013 to $5.79 million for the third quarter 2014 and $0.42 million, or 3% from

$16.33 million for the nine months ended September 30, 2013 to $16.75 million for the nine months ended September 30, 2014. This increase is primarily due to increased depletion rates recognized during the first nine months of 2014 associated with the recent drilling success in West Texas as compared to the same periods of 2013, substantially offset with decreased depletion recognized during the first half of 2014 associated with our offshore properties.

General and administrative expense increased $0.43 million, or 11% from $3.86 million for the three months ended September 30, 2013 to $4.29 million for the three months ended September 30, 2014 and decreased $0.43 million, or 4% from $12.25 million for the nine months ended September 30, 2013 to $11.82 million for the nine months ended September 30, 2014. The underlying increase in general and administrative expense in 2014 is largely due to increased personnel costs in 2014, substantially offset in the first half of 2014 with the reimbursement of administrative expenses associated with development activities. The largest component of these personnel costs was salaries and employee related taxes and insurance.

Gain on sale and exchange of assets of $5.62 million and $2.52 million for the nine months ended September 30, 2014 and September 30, 2013, respectively consists of sales of non-essential oil and gas interests and field service equipment.

Interest expense decreased $0.02 million, or 2% from $1.00 million for the third quarter 2013 to $0.98 million for the third quarter 2014 and $0.06 million, or 2% from $3.16 million for the nine months ended September 30, 2013 to $3.10 million for the nine months ended September 30, 2014. This decrease relates to a decrease in average debt outstanding during the 2014 periods partially offset by the settlement of interest rate swaps during the 2014 periods and a slight increase in weighted average interest rates due to our Equipment Loans entered into in July 2013 and July 2014.

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A provision for income taxes of $5.62 million, or an effective tax rate of 34% was recorded for the third quarter 2014 versus a provision of $1.23 million, or an effective tax rate of 35% for the third quarter 2013 and a provision of $8.53 million, or an effective tax rate of 34% was recorded for the nine months ended September 30, 2014 versus a provision of $5.94 million, or an effective tax rate of 36% for the nine months ended September 30, 2013. Our provision for income taxes can vary from the federal statutory tax rate of 34% primarily due to state taxes and percentage depletion deductions. We are entitled to percentage depletion on certain of our wells, which is calculated without reference to the basis of the property. To the extent that such depletion exceeds a property s basis, it creates a permanent difference, which would have the effect of lowering our effective rate.

LIQUIDITY AND CAPITAL RESOURCES

Our primary capital resources are cash provided by our operating activities and our credit facility.

Net cash provided by our operating activities for the nine months ended September 30, 2014 was $44.29 million compared to $30.71 million for the nine months ended September 30, 2013. Excluding the effects of significant unforeseen expenses or other income, our cash flow from operations fluctuates primarily because of variations in oil and gas production and prices or changes in working capital accounts. Our oil and gas production will vary based on actual well performance but may be curtailed due to factors beyond our control.

Our realized oil and gas prices vary due to world political events, supply and demand of products, product storage levels, and weather patterns. We sell the vast majority of our production at spot market prices. Accordingly, product price volatility will affect our cash flow from operations. To mitigate price volatility, we sometimes lock in prices for some portion of our production through the use of derivatives.

If our exploratory drilling results in significant new discoveries, we will have to expend additional capital in order to finance the completion, development, and potential additional opportunities generated by our success. We believe that, because of the additional reserves resulting from the successful wells and our record of reserve growth in recent years, we will be able to access sufficient additional capital through bank financing.

We currently maintain a credit facility totaling $250 million, with a current borrowing base of $160 million and $73.50 million in availability at September 30, 2014. The bank reviews the borrowing base semi-annually and, at their discretion, may decrease or propose an increase to the borrowing base relative to a redetermined estimate of proved oil and gas reserves. Our oil and gas properties are pledged as collateral for the line of credit and we are subject to certain financial and operational covenants defined in the agreement. If we do not comply with these covenants on a continuing basis, the lenders have the right to refuse to advance additional funds under the facility and/or declare all principal and interest immediately due and payable. We are currently in compliance with these covenants and expect to be in compliance over the next twelve months.

In July 2013, we obtained a $10 million loan secured by a portion of our field service equipment used in our field service operations. We used the funds from that loan to pay down our credit facility, and as a result, freed up additional funds under the credit facility for future acquisitions, development and operations. As of October 15, 2014, we had a total of $7.8 million outstanding on this loan.

On July 29, 2014, we executed additional equipment financing facilities totaling $6 million. In August 2014, we drew down $4.8 million of this facility that is secured by field service equipment recently purchased and these proceeds were used to pay down on our revolving credit facility, and as a result, free up additional funds under the credit facility for future acquisitions, development and operations. The remaining $1.2 million under this facility will be available to finance the acquisition of any future field service equipment. As of October 15, 2014, we had a total of

$4.7 million outstanding on this loan.

It is our goal to increase our oil and gas reserves and production through the acquisition and development of oil and gas properties. During 2014, we continued our drilling program in our West Texas and Mid-Continent regions. Based upon the results of horizontal wells drilled by us and other offsetting operators and historical vertical well performance, we have decided to reduce the number of vertical wells in our drilling program and drill more horizontal wells. We believe horizontal development of our resource base will provide the opportunity to improve returns relative to vertical drilling by accessing a larger base of reserves in target zones with a lateral wellbore. Through November 10, 2014, we have participated in the drilling of 23 gross (10.9 net) wells; 14 of these wells are currently producing and the remainder are drilling or awaiting completion. During 2014, we intend to drill a total of approximately 25 gross (11.5 net) wells, primarily in the West Texas and Oklahoma areas, at a net cost of $30 million. During 2014 we have participated in the drilling of 10 horizontal wells in our Mid-Continent region under various joint venture agreements, and expect 7 more wells to be drilled in the fourth quarter of 2014 and first quarter of 2015. This horizontal development is primarily in Grant and Canadian counties where we have approximately 6,450 net acres which we believe has significant resource potential based on drilling results and those of offset operators. In addition, we expect to begin our West Texas, Upton County horizontal drilling program in the first quarter of 2015, drilling up to 9 wells in this phase at a net cost of approximately $35 million. Discussions with our joint venture partner in that program, Apache Corporation, indicate that including additional phases of development in the program will result in approximately 60 horizontal wells being drilled over the next 18 to 24 months at a cost of approximately $470 million. We own various interests, ranging from 33% up to 50% interest in the lands to be developed in the program, and expect our share of these capital expenditures to be approximately $150 million. We maintain an acreage position of over 26,000 gross (16,500 net) acres in the Permian Basin in West Texas, primarily in Reagan, Upton, Martin and Midland counties. We have currently identified 64 proved undeveloped drilling locations there and believe this acreage has significant resource potential in the Spraberry and Wolfcamp intervals for additional drilling opportunities. We also continue to explore and consider opportunities to further expand our oilfield servicing revenues through additional investment in field service equipment. However, the majority of our capital spending is discretionary, and the ultimate level of expenditures will be dependent on our assessment of the oil and gas business environment, the number and quality of oil and gas prospects available, the market for oilfield services, and oil and gas business opportunities in general.

We have in place both a stock repurchase program and a limited partnership interest repurchase program under which we expect to continue spending during 2014. For the nine month period ended September 30, 2014, we have spent $2.79 million under these programs.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company and no response is required pursuant to this Item.

Item 4. CONTROLS AND PROCEDURES

As of the end of the current reported period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective with respect to the recording, processing, summarizing and reporting, within the time periods specified in the Commission s rules and forms, of information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

There were no changes in the Company s internal controls over financial reporting that occurred during the three months ended September 30, 2014 that materially affected, or are reasonably likely to materially affect, the Company s internal controls over financial reporting.

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PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None.

Item 1A. RISK FACTORS

The Company is a smaller reporting company and no response is required pursuant to this Item.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no sales of equity securities by the Company during the period covered by this report.

During the nine months ended September 30, 2014, the Company purchased the following shares of common stock as treasury shares.

2014 Month	Number of Shares	Average Price Paid per share	Maximum Number of Shares that May Yet Be Purchased Under The Program at Month - End (1)
January	6,214	$ 50.34	336,114
February	714	$ 52.21	335,400
March	13,684	$ 50.92	321,716
April	1,201	$ 55.15	320,515
May	2,366	$ 58.33	318,149
June	663	$ 61.08	317,486
July	6,444	$ 62.18	311,042
August	156	$ 65.10	310,886
September	13,357	$ 63.69	297,529
Total/Average	44,799	$ 56.99	

(1) In December 1993, we announced that the Board of Directors authorized a stock repurchase program whereby we may purchase outstanding shares of the common stock from time-to-time, in open market transactions or negotiated sales. On October 31, 2012, the Board of Directors of the Company approved an additional 500,000 shares of the Company s stock to be included in the stock repurchase program. A total of 3,500,000 shares have been authorized to date under this program. Through September 30, 2014, a total of 3,202,471 shares have been repurchased under this program for $51,460,829 at an average price of $16.07 per share. Additional purchases of shares may occur as market conditions warrant. We expect future purchases will be funded with internally generated cash flow or from working capital.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

Item 4. RESERVED

Item 5. OTHER INFORMATION

None

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Item 6. EXHIBITS
The following exhibits are filed as a part of this report:

Exhibit No.	
3.1	Restated Certificate of Incorporation of PrimeEnergy Corporation (effective July 1, 2009) (Incorporated by reference to Exhibit 3.1 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2009)
3.2	Bylaws of PrimeEnergy Corporation (Incorporated by reference to Exhibit 3.2 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2010)
10.4	Amended and Restated Agreement of Limited Partnership, FWOE Partners L.P., dated as of August 22, 2005 (Incorporated by reference to Exhibit 10.4 to PrimeEnergy Corporation Form 8-K for events of August 22, 2005)
10.4.1	Contribution Agreement between F-W Oil Exploration L.L.C. and FWOE Partners L.P. dated as of August 22, 2005 (Incorporated by reference to exhibit 10.4.1 to PrimeEnergy Corporation Form 8-K for events of August 22, 2005)
10.18	Composite copy of Non-Statutory Option Agreements (Incorporated by reference to Exhibit 10.18 to PrimeEnergy Corporation Form 10-K for the year ended December 31, 2004)
10.22.5.9	Second Amended and Restated Credit Agreement dated July 30, 2010, by and among PrimeEnergy Corporation, the Guarantors Party Hereto (PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, and EOWS Midland Company), Compass Bank (successor in interest to Guaranty Bank, FSB) As Administrative Agent and Letter of Credit Issuer, BBVA Compass, As Sole Lead Arranger and Sole Bookrunner and The Lenders Signatory Hereto (BNP Paribas, JPMorgan Chase Bank, N.A. and Amegy Bank National Association) (Incorporated by reference to Exhibit 10.22.5.9 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2010)
10.22.5.9.1	First Amendment To Second Amended and Restated Credit Agreement Among PrimeEnergy Corporation, The Guarantors Party Hereto (PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, E O W S Midland Company), Compass Bank (successor in interest to Guaranty Bank, FSB), As Administrative Agent, Letter of Credit Issuer and Collateral Agent and The Lenders Signatory Hereto (Compass Bank, BNP Paribas, JPMorgan Chase Bank, N.A., Amegy Bank National Association) effective September 30, 2010 (Incorporated by reference to Exhibit 10.22.5.9.1 to PrimeEnergy Corporation Form 10-Q for the quarter ended September 30, 2010).
10.22.5.9.2	Second Amendment To Second Amended and Restated Credit Agreement Among PrimeEnergy Corporation, The Guarantors Party Hereto (PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, E O W S Midland Company), Compass Bank (successor in interest to Guaranty Bank, FSB), As Administrative Agent, Letter of Credit Issuer and Collateral Agent and The Lenders Signatory Hereto (Compass Bank, BNP Paribas, JPMorgan Chase Bank, N.A., Amegy Bank National Association) effective June 22, 2011 (Incorporated by reference to Exhibit 10.22.5.9.2 to PrimeEnergy Corporation Form 10-Q

for the quarter ended June 30, 2011).

10.22.5.9.3 Third Amendment To Second Amended and Restated Credit Agreement Among PrimeEnergy Corporation, The Guarantors Party Hereto (PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, E O W S Midland Company), Compass Bank (successor in interest to Guaranty Bank, FSB), As Administrative Agent, Letter of Credit Issuer and Collateral Agent and The Lenders Signatory Hereto (Compass Bank, BNP Paribas, JPMorgan Chase Bank, N.A., Amegy Bank National Association) effective December 8, 2011 (Incorporated by reference to Exhibit 10.22.5.9.3 to PrimeEnergy Corporation Form 10-K for the year ended December 31, 2011).

10.22.5.9.4 Fourth Amendment To Second Amended and Restated Credit Agreement Among PrimeEnergy Corporation, The Guarantors Party Hereto (PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, E O W S Midland Company), Compass Bank (successor in interest to Guaranty Bank, FSB), As Administrative Agent, Letter of Credit Issuer and Collateral Agent and The Lenders Signatory Hereto (Compass Bank, BNP Paribas, JPMorgan Chase Bank, N.A., Amegy Bank National Association) effective June 25, 2012 (Incorporated by reference to Exhibit 10.22.5.9.4 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2012).

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Exhibit No.	
10.22.5.9.5	Fifth Amendment To Second Amended and Restated Credit Agreement Among PrimeEnergy Corporation, The Guarantors Party Hereto (PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, E O W S Midland Company, Prime Offshore L.L.C.), Compass Bank (successor in interest to Guaranty Bank, FSB), As Administrative Agent, Letter of Credit Issuer and Collateral Agent and The Lenders Signatory Hereto (Compass Bank, Wells Fargo Bank National Association, JPMorgan Chase Bank, N.A., Amegy Bank National Association, KeyBank National Association) effective November 26, 2012 (Incorporated by reference to Exhibit 10.22.5.9.5 to PrimeEnergy Corporation Form 10-K for the year ended December 31, 2012).
10.22.5.9.6	Sixth Amendment To Second Amended and Restated Credit Agreement Among PrimeEnergy Corporation, The Guarantors Party Hereto (PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, E O W S Midland Company, Prime Offshore L.L.C.), Compass Bank (successor in interest to Guaranty Bank, FSB), As Administrative Agent, Letter of Credit Issuer and Collateral Agent and The Lenders Signatory Hereto (Compass Bank, Wells Fargo Bank National Association, JPMorgan Chase Bank, N.A., Amegy Bank National Association, KeyBank National Association) effective June 28, 2013 (Incorporated by reference to Exhibit 10.22.5.9.6 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2013).
10.22.5.9.7	Assignment Agreement made by and among Amegy Bank National Association, as Assignor, and Compass Bank (successor in interest to Guaranty Bank, FSB), Wells Fargo Bank, National Association, JPMorgan Chase Bank and KeyBank National Association, as Assignees, effective December 23, 2013 (Incorporated by reference to Exhibit 10.22.5.9.7 to PrimeEnergy Corporation Form 10-K for the year ended December 31, 2013).
10.22.5.9.8	Seventh Amendment To Second Amended and Restated Credit Agreement Among PrimeEnergy Corporation, The Guarantors Party Hereto (PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, E O W S Midland Company, Prime Offshore L.L.C.), Compass Bank (successor in interest to Guaranty Bank, FSB), As Administrative Agent, Letter of Credit Issuer and Collateral Agent and The Lenders Signatory Hereto (Compass Bank, Wells Fargo Bank National Association, JPMorgan Chase Bank, N.A., KeyBank National Association) effective June 26, 2014 (Incorporated by reference to Exhibit 10.22.5.9.8 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2014).
10.23.1	Loan and Security Agreement dated July 31, 2013, by and between JP Morgan Chase Bank, N.A. and Eastern Oil Well Service Company, EOWS Midland Company and Southwest Oilfield Construction Company (Incorporated by reference to Exhibit 10.23.1 to PrimeEnergy Corporation Form 10-Q for the quarter ended September 30, 2013).
10.23.2	Business Purpose Promissory Note dated July 31, 2013, made by Eastern Oil Well Service Company, EOWS Midland Company and Southwest Oilfield Construction Company to JP Morgan Chase Bank N.A. (Incorporated by reference to Exhibit 10.23.2 to PrimeEnergy Corporation Form 10-Q for the quarter ended September 30, 2013).
10.23.3	Guaranty dated July 31, 2013, made by PrimeEnergy Corporation in favor of JP Morgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.23.3 to PrimeEnergy Corporation Form 10-Q for the

	quarter ended September 30, 2013).
10.23.4	Agreement of Equipment Substitution dated January 15, 2014, by and between JP Morgan Chase Bank, N.A.
	and Eastern Oil Well Service Company, EOWS Midland Company and Southwest Oilfield Construction
	Company (Incorporated by reference to Exhibit 10.23.4 to PrimeEnergy Corporation Form 10-Q for the quarter ended March 31, 2014).
10.24.1	Loan and Security Agreement dated July 29, 2014, by and between JP Morgan Chase Bank, N.A. and Eastern Oil Well Service Company, EOWS Midland Company and Southwest Oilfield Construction Company (filed herewith).
10.24.2	Business Purpose Promissory Note dated July 29, 2014, made by Eastern Oil Well Service Company, EOWS Midland Company and Southwest Oilfield Construction Company to JP Morgan Chase Bank N.A. (filed herewith).
10.24.3	Guaranty dated July 29, 2014, made by PrimeEnergy Corporation in favor of JP Morgan Chase Bank, N.A. (filed herewith).

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Exhibit No.	
31.1	Certification of Chief Executive Officer pursuant to Rule 13(a)-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rule 13(a)-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	XBRL (eXtensible Business Reporting Language) Instance Document (filed herewith)
101.SCH	XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

	PrimeEnergy Corporation (Registrant)
November 13, 2014 (Date)	/s/ Charles E. Drimal, Jr. Charles E. Drimal, Jr. President Principal Executive Officer
November 13, 2014 (Date)	/s/ Beverly A. Cummings Beverly A. Cummings Executive Vice President Principal Financial Officer

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