

MAGELLAN PETROLEUM CORP /DE/

Form DEF 14A

October 29, 2007

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**SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14a INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Magellan Petroleum Corporation
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
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- Fee paid previously with preliminary materials.

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(3) Filing Party:

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**MAGELLAN PETROLEUM CORPORATION
10 Columbus Boulevard
Hartford, CT 06106**

October 29, 2007

**2007 ANNUAL MEETING OF STOCKHOLDERS
December 6, 2007**

Dear Stockholder:

It is a pleasure for us to extend to you a cordial invitation to attend the 2007 Annual Meeting of Magellan Petroleum Corporation to be held at The Goodwin Hotel, One Haynes Street, Hartford, CT 06103 on Thursday, December 6, 2007 at 1:00 P.M. local time (telephone 860-246-7500).

While we are aware that most of our stockholders are unable personally to attend the Annual Meeting, proxies are solicited so that each stockholder has an opportunity to vote on all matters to come before the meeting. Whether or not you plan to attend, please take a few minutes now to sign, date and return your proxy in the enclosed postage-paid envelope. Regardless of the number of shares you own, your vote is important.

Besides helping us conduct business at the annual meeting, there is another reason for you to return your proxy vote card. Under the abandoned property law of some jurisdictions, a stockholder may be considered "missing" if that stockholder has failed to communicate with us in writing. The return of your proxy vote card qualifies as written communication with us.

The Notice of Annual Meeting and Proxy Statement accompanying this letter describe the business to be acted on at the meeting.

As in the past, members of management will review with you the Company's results and will be available to respond to questions during the meeting.

We look forward to seeing you at the meeting.

Sincerely,

DANIEL J. SAMELA
President

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**MAGELLAN PETROLEUM CORPORATION
10 Columbus Boulevard
Hartford, CT 06106**

**NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS
December 6, 2007**

NOTICE IS HEREBY GIVEN that the 2007 Annual Meeting of Stockholders of Magellan Petroleum Corporation, a Delaware Corporation (the Company), will be held on December 6, 2007 at 1:00 P.M., local time at The Goodwin Hotel, One Haynes Street, Hartford, CT 06103 for the following purposes:

1. To elect two directors of the Company;
2. To approve a stockholder resolution to authorize the Board of Directors, in its sole and absolute discretion without further action of the stockholders, to amend the Company's Restated Certificate of Incorporation to implement a reverse stock split of the Company's common stock, par value \$.01 per share, at a ratio of not less than 1-for-2 and not greater than 1-for-10 at any time prior to December 31, 2009, with the exact ratio to be determined by the Board of Directors (the Reverse Split);
3. To ratify the appointment of independent auditors of the Company for the fiscal year ending June 30, 2008; and
4. To act upon such other matters as may properly come before the meeting or any adjournments or postponements thereof.

This notice and proxy statement and the enclosed form of proxy are being sent to stockholders of record at the close of business on October 26, 2007 to enable such stockholders to state their instructions with respect to the voting of the shares. Proxies should be returned to American Stock Transfer & Trust Company, 59 Maiden Lane, New York, NY 10038, in the reply envelope enclosed.

By Order of the Board of Directors,

EDWARD B. WHITTEMORE
Secretary

Dated: October 29, 2007

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MAGELLAN PETROLEUM CORPORATION
10 Columbus Boulevard
Hartford, CT 06106

2007 PROXY STATEMENT

GENERAL INFORMATION

This proxy statement is furnished to stockholders of Magellan Petroleum Corporation, a Delaware corporation (the Company), in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Stockholders to be held on December 6, 2007 at 1:00 P.M., local time, at The Goodwin Hotel, One Haynes Street, Hartford, CT 06103 and at any adjournments or postponements thereof. The notice of meeting, proxy statement, and proxy are first being mailed to stockholders on or about October 29, 2007. The proxy may be revoked at any time before it is voted by (i) so notifying the Company in writing; (ii) signing and dating a new and different proxy card of a later date; or (iii) voting your shares in person or by your duly appointed agent at the meeting.

The persons named in the enclosed form of proxy will vote the shares of Common Stock represented by said proxy in accordance with the specifications made by means of a ballot provided in the proxy, and will vote the shares in their discretion on any other matters properly coming before the meeting or any adjournment or postponement thereof. The Board of Directors knows of no matters which will be presented for consideration at the meeting other than those matters referred to in this proxy statement.

The record date for the determination of stockholders entitled to notice of and to vote at the meeting has been fixed by the Board of Directors as the close of business on October 26, 2007. On that date, there were 41,500,325 outstanding shares of Common Stock of the Company, par value \$.01 per share (Common Stock). On October 5, 2007, there were 2,163,592 shares of our Common Stock outstanding in the form of CHESS depository interests (or CDIs) listed and traded on the Australian Stock Exchange. Each outstanding share of Common Stock is entitled to one vote.

PROPOSAL 1

ELECTION OF DIRECTORS

In accordance with the Company's By-Laws, two directors are to be elected to hold office for a term of three years, expiring with the 2010 Annual Meeting of Stockholders. The Company's By-Laws provide for three classes of directors who are to be elected for terms of three years each and until their successors shall have been elected and shall have been duly qualified. The nominees, Walter McCann and Ronald Pettirossi, are currently directors of the Company.

Approval of Proposal One the election of directors requires the affirmative vote of a majority of both the shares voted and of the stockholders present in person or by proxy at the Annual Meeting and voting thereon, provided that a quorum exists. However, if no one candidate for a directorship receives the affirmative vote of a majority of both the shares voted and of the stockholders present in person or by proxy at the Annual Meeting and voting thereon, then the candidate who receives the majority in number of the stockholders present in person or by proxy and voting at the Annual Meeting thereon shall be elected. The persons named in the accompanying proxy will vote properly executed proxies for the election of the persons named above, unless authority to vote for either or both nominees is withheld.

Table of Contents**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ELECTION OF EACH OF THE NOMINEES.**

The following table sets forth certain information about each nominee for director and each director whose term of office continues beyond the 2007 Annual Meeting. The information presented includes, with respect to each such person, his business history for at least the past five years; his age as of the date of this proxy statement; his other directorships, if any; his other positions with the Company, if any; and the year during which he first became a director of the Company.

Nominees for three year terms expiring at the 2010 Annual Meeting:

Name	Director Since	Other Offices Held with Company	Age and Business Experience
Ronald P. Pettirossi	1997	Director, Chairman of the Audit Committee, member of the Compensation Committee	Mr. Pettirossi has been President of ER Ltd., a consulting company since 1995. Mr. Pettirossi has been a director of MPAL since August 2004. Mr. Pettirossi is a former audit partner of Ernst & Young LLP, who worked with public and privately held companies for 31 years. Age 64.
Walter McCann	1983	Director and Chairman of the Board, member of the Audit and Compensation (Chairman) Committees	Mr. Walter McCann, a former business school dean, was the President of Richmond, The American International University, located in London, England, from January 1993 until September 2002. From 1985 to 1992, he was President of Athens College in Athens, Greece. Mr. McCann has been a director of MPAL since 1997. He is a retired member of the Bar in Massachusetts. Age 70.

Directors continuing in office with terms expiring at the 2009 Annual Meeting

Name	Director Since	Other Offices Held with Company	Age and Business Experience
Donald V. Basso	2000	Member of the Audit and Compensation Committees	Mr. Donald V. Basso was elected a director of the Company in 2000 and a director of MPAL in July 2006. Mr. Basso served as a consultant and

Exploration Manager for Canada Southern Petroleum Ltd. from October 1997 to May 2000. He also served as a consultant to Ranger Oil & Gas Ltd. during 1997. From 1987 to 1997, Mr. Basso served as Exploration Manager for Guard Resources Ltd. Mr. Basso has over 40 years experience in the oil and gas business in the United States, Canada and the Middle East. Age 70.

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Name	Director Since	Other Offices Held with Company	Age and Business Experience
Robert J. Mollah	2006	None	Mr. Robert Mollah was elected a director of the Company on September 5, 2006. Mr. Mollah has been a director of MPAL since November 2003 and was elected to serve as Chairman of the MPAL Board of Directors in September 2006. Mr. Mollah is a geophysicist with broad petroleum exploration experience, both within Australia and internationally. From 1995 until 2003, Mr. Mollah was the Australian Executive Director of the Timor Gap Joint Authority which covered the administration of petroleum exploration and production activities in the Timor Sea Joint Development Zone between Australia and Indonesia/East Timor. Prior to 1995, he served as a Petroleum Explorationist and Manager with broad experience in the oil and gas business in Australia and Asia. Age 66.

Director continuing in office with a term expiring at the 2008 Annual Meeting:

Name	Director Since	Other Offices Held with Company	Age and Business Experience
Timothy L. Largay	1996	Director; Assistant Secretary	Mr. Timothy L. Largay has been a partner in the law firm of Murtha Cullina LLP, Hartford, Connecticut since 1974. Mr. Largay has been a director of MPAL since August 2001. Murtha Cullina has been retained by the Company for more than five years and is being retained during the current year. Age 64.

* All of the named companies are engaged in oil, gas or mineral exploration and/or development, except where noted.

Officers are elected annually and serve at the pleasure of the Board of Directors. No family relationships exist between any of the Company's directors or officers.

Table of Contents**Director Compensation**

The Table below summarizes the compensation paid by us to our directors during the fiscal year ended June 30, 2007.

Name	Fees Earned or Paid in Cash (1)	All Other Compensation (2)	Total (\$)
Donald V. Basso	\$ 40,000	\$ 0	\$ 40,000
Timothy L. Largay	\$ 40,000	\$ 6,000	\$ 46,000
Walter McCann	\$ 65,000	\$ 6,000	\$ 71,000
Robert J. Mollah	\$ 32,778	\$ 5,000	\$ 37,778
Ronald P. Pettirossi	\$ 47,500	\$ 5,964	\$ 53,464

- (1) Messrs. Donald V. Basso, Timothy L. Largay, and Ronald P. Pettirossi were each paid a director's fee of \$40,000 during fiscal year 2007. Mr. Robert Mollah was paid a director's fee of \$32,778, based on his election to the Board on September 5, 2006. Mr. Walter McCann was paid \$65,000 as Chairman of the Board. In addition, Mr. Pettirossi was paid an additional \$7,500 as Chairman of the Audit Committee.
- (2) Under the Company's medical reimbursement plan for all outside directors, the Company reimburses certain directors the cost of their medical premiums, up to \$500 per month. During fiscal year 2007, the cost of this reimbursement plan was approximately \$22,964.

CORPORATE GOVERNANCE**Director Independence**

The Company's Common Stock is listed on the NASDAQ Capital Market under the trading symbol MPET. NASDAQ listing rules require that a majority of the Company's directors be independent directors as defined by NASDAQ corporate governance standards. Generally, a director does not qualify as an independent director if the director has, or in the past three years has had, certain material relationships or affiliations with the Company, its external or internal auditors, or is an employee of the Company.

The Board has made its annual determination, concluding that each of Messrs. Basso, Largay, McCann, Mollah and Pettirossi are independent for purposes of Nasdaq listing standards, and that each of the three members of the Audit Committee are also independent for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934. The Board based these determinations primarily on a review of Company records and the responses of the Directors and executive officers to questions regarding employment and compensation history, affiliations, family and other relationships, together with an examination of those companies with whom the Company transacts business.

Standards of Conduct and Business Ethics

The Company has previously adopted Standards of Conduct for the Company (the Standards). The Board amended the Standards in August 2004. A copy of the Standards was filed as Exhibit 14 to the Company s Form 10-K for the fiscal year ended June 30, 2006. Under the Standards, all directors, officers and employees (Employees) must demonstrate a commitment to ethical business practices and behavior in all business relationships, both within and outside of the Company. All Employees who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of the Company s business. Any waivers of or changes to the Standards must be approved by the Board and appropriately disclosed under applicable law and regulation.

The Company s Standards are available on the Company s website at www.magpet.com, under the heading Corporate Governance . It is our intention to provide disclosure regarding waivers of or amendments to the policy by posting such waivers or amendments to the website in the manner provided by applicable law.

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Board Committees

The standing committees of the Board are the Audit Committee, which is comprised of Messrs. Basso, McCann and Pettirossi, (Chairman), the Compensation Committee, which is comprised of Mr. McCann (Chairman), Mr. Basso and Mr. Pettirossi. Four (4) meetings of the Board, six (6) meetings of the Audit Committee and no meetings of the Compensation Committee were held during the fiscal year ended June 30, 2007. In addition, the Board acted by written consent on two occasions. During the fiscal year ended June 30, 2007, the full Board acted as the Compensation Committee and performed the functions of a Nominating Committee. During the fiscal year ended June 30, 2007, no director attended less than 75% of the aggregate number of meetings held by the Board and the committees on which he served.

Audit Committee

The Company's Board of Directors maintains an Audit Committee which is currently composed of the following directors: Messrs. Basso, McCann and Pettirossi (Chairman). The functions of the Audit Committee are set forth in its written charter which was most recently amended in July 2004 and which was attached as Appendix A to the Company's Proxy Statement for its 2004 Annual Meeting. The Charter is also posted on the Company's web site, www.magpet.com, under the heading "Corporate Governance". The Audit Committee has the authority to institute special investigations and to retain outside advisors as it deems necessary in order to carry out its responsibilities.

The Board of Directors has determined that all of the members of the Audit Committee are independent, as defined by the rules of the U.S. Securities and Exchange Commission (SEC) and the Nasdaq Stock Market, Inc. The Board of Directors has determined that each of the members of the Audit Committee is financially literate and that Mr. Pettirossi is an audit committee financial expert, as such term is defined under SEC regulations, by virtue of having the following attributes through relevant education and/or experience:

- (1) an understanding of generally accepted accounting principles and financial statements;
- (2) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (3) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;
- (4) an understanding of internal controls and procedures for financial reporting; and
- (5) an understanding of audit committee functions.

Communications with Directors

Any stockholder wishing to communicate with the Board generally, Mr. Walter McCann, Chairman of the Board, or another Board member, may do so by contacting the Company's Secretary at the address, telephone number, facsimile or e-mail address listed below:

Magellan Petroleum Corporation
10 Columbus Boulevard
Hartford, CT 06106

Attention: Edward B. Whittemore, Secretary

telephone: (860) 293-2006

facsimile: (860) 293-2349

electronic mail: info@magpet.com

All communications will be forwarded to the Board, Mr. McCann, or another Board member, as applicable. The Corporate Secretary has been authorized by the Board of Directors to screen frivolous or unlawful communications or commercial advertisements.

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Director Attendance at Annual Meetings

All directors attended the 2006 Annual Meeting of Stockholders, other than Mr. Basso. Directors are expected, but not required, to attend the 2007 Annual Meeting of Stockholders.

The Board Nomination Process

Due to its small size, the Board does not maintain a standing Nominating Committee. Accordingly, the full Board acted as a Nominating Committee during the fiscal year 2007. The Committee identifies director nominees based primarily on recommendations from management, Board members, stockholders, and other sources. The Board identifies nominees who possess qualities such as personal and professional integrity, sound business judgment, and petroleum industry or financial expertise. The Board also considers age and diversity (broadly construed to mean a variety of opinions, perspectives, personal and professional experiences and backgrounds, such as gender, race and ethnicity differences, as well as other differentiating characteristics) in making their selections for nominees to the Board.

The Company requires that a majority of the directors meet the criteria for independence required under applicable laws and regulations. Accordingly, the Board considers the independence standards as part of its process in evaluating director nominees. In accordance with these standards, a director must be determined by the Board to be free of any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Finally, the Board also evaluates other factors that they may deem are in the best interests of the Company and its stockholders. The Board does not currently employ an executive search firm, or pay a fee to any other third party, to locate qualified candidates for director positions.

Although the Board has not adopted a written policy with regard to the consideration of any director candidates recommended to the Board by stockholders, all candidates submitted by stockholders or a stockholder group will be reviewed and considered in the same manner as all other candidates. Stockholders who wish to recommend a prospective director nominee for consideration by the Board must notify the Corporate Secretary in writing at the Company's offices at 10 Columbus Boulevard, Hartford, CT 06106 no later than September 1, 2008. The Corporate Secretary will pass all such stockholder recommendations on to the Committee for consideration by the Board. Any such recommendation should provide whatever supporting material the stockholder considers appropriate, but should at a minimum include such background and biographical material as will enable the Board to make an initial determination as to whether the nominee satisfies the Board membership criteria set forth above. A stockholder or stockholder group that nominates a candidate for the Board will be informed of the status of his/her recommendation after it is considered by the Board. No stockholder nominations were received by the Board during the Company's fiscal year ended June 30, 2007.

If a stockholder wishes to nominate a candidate for election to the Board at the 2008 Annual Meeting of Stockholders, he or she must follow the rules contained in Article II, Section 2.2 of the Company's Bylaws, described below under the heading "Stockholder Proposals."

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and persons who beneficially own more than 10% of the Company's Common Stock to file initial reports of beneficial ownership and reports of changes in beneficial ownership with the Securities and Exchange Commission. Such persons are required by the SEC regulations to furnish the Company with copies of all Section 16(a) forms filed by such persons. Based solely on copies of forms received by it, or written representations from certain reporting persons that no Form 5's were required for those persons, the Company believes that during the fiscal year ended June 30, 2007, its

executive officers, directors, and greater than 10% beneficial owners complied with all applicable filing requirements, with the exception of a late Form 3 filing for newly elected director, Robert Mollah, which was filed with the SEC on September 21, 2006.

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Certain Relationships and Related Person Transactions

The Board is committed to upholding the highest legal and ethical conduct in fulfilling its responsibilities and recognizes that related party transactions can present a heightened risk of potential or actual conflicts of interest. Accordingly, as a general matter, it is the Company's preference to avoid conflicts of interest and related person transactions. The Company has adopted Standards of Conduct, a copy of which is located on the Company's website, www.magpet.com, under the heading "Corporate Governance", which addresses conflicts of interest and related person transaction matters. It is the Company's policy for the Board to review and approve any related person transactions involving members of the Board and executive officers. In addition, annually, the Corporate Secretary obtains responses of the Directors and executive officers to questions regarding the employment of family and other relationships to assist the Board with its review of these matters. Based on these reviews, the Board has determined that the Company did not engage in any transactions during the fiscal year ended June 30, 2007 with related persons which would require disclosure under Item 404 of Regulation S-K adopted by the SEC.

REPORT OF THE AUDIT COMMITTEE ADDRESSING SPECIFIC MATTERS

On October 29, 1999, the Board of Directors adopted a formal, written charter for the Audit Committee of the Company. The Charter was amended in July 2004 and most recently filed as Appendix A to the Company's 2004 proxy statement. The charter is also available on the Company's website, www.magpet.com, under the heading "Corporate Governance". Each member of the Audit Committee is an independent director for purposes of applicable SEC rules and Nasdaq listing standards.

In connection with the preparation and filing of the Company's audited financial statements for the fiscal year ended June 30, 2007 (the "audited financial statements"), the Audit Committee performed the following functions:

The Audit Committee reviewed and discussed the audited financial statements with senior management and Deloitte & Touche LLP, the Company's independent auditors. The review included a discussion of the quality, not just the acceptability, of the Company's accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the forward looking statements.

The Audit Committee also discussed with Deloitte & Touche LLP the matters required to be discussed by Statement on Auditing Standards No. 61 ("Communications With Audit Committees").

The Audit Committee received the written disclosures and the letter from Deloitte & Touche LLP required by Independence Standards Board Standard No. 1 ("Independence Discussions With Audit Committees"), and discussed with Deloitte & Touche LLP its independence from the Company and considered the compatibility of the auditors' nonaudit services to the Company, if any, with the auditors' independence.

Based upon the functions performed, the Audit Committee recommended to the Board of Directors, and the Board approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007, for filing with the SEC. The Audit Committee has also approved, subject to stockholder ratification, the selection of Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending June 30, 2008.

Audit Committee

Ronald P. Pettirossi (Chairman)
Donald V. Basso
Walter McCann

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****Security Ownership of Certain Beneficial Owners**

Based on publicly available information filed with the SEC pursuant to the Securities Exchange Act of 1934, as of September 22, 2007, no person was the beneficial owner of more than five percent of the Company's Common Stock.

Security Ownership of Management

The following table sets forth information as to the number of shares of the Company's Common Stock owned beneficially as of September 22, 2007 by each director of the Company and each Named Executive Officer listed in the Summary Compensation Table and by all directors and executive officers of the Company as a group:

Name of Individual or Group	Amount and Nature of Beneficial Ownership*		Percent of Class
	Shares	Options	
Donald Basso	11,000	100,000	**
Dr. T. Gwynn Davies			**
Timothy L. Largay	6,000	100,000	**
Walter McCann	59,368	100,000	**
Robert Mollah			**
Ronald P. Pettirossi	6,500	100,000	**
Daniel J. Samela		30,000	**
Directors and Executive Officers as a Group (a total of 7)	82,868	430,000	**

* Unless otherwise indicated, each person listed has the sole power to vote and dispose of the shares listed.

** The percent of class owned is less than 1%.

EXECUTIVE COMPENSATION**Compensation Discussion and Analysis*****Overview***

In this section, we provide an overview and analysis of our executive officer compensation program and policies. Later in this proxy statement, under the heading "Additional Information Regarding Executive Compensation", you will find a series of tables containing specific information about the compensation earned or paid in the fiscal year ended June 30, 2007 to the following individuals, whom we refer to as our named executive officers (or "NEOs"): Daniel J. Samela, who serves as our President, Chief Executive Officer and Chief Financial/Accounting Officer; and Dr. T. Gwynn Davies, who serves as the General Manager, Magellan Petroleum Australia Limited, our wholly-owned subsidiary ("MPAL"). For purposes of this "Compensation Discussion and Analysis" only, the term "Company" refers to Magellan Petroleum Corporation and MPAL, collectively, unless the context otherwise requires. Compensation

figures for Dr. Davies are expressed below in Australian dollars and denoted with an A\$.

Board Oversight of Executive Compensation

The Company's executive compensation guidelines are developed and monitored by our Board of Directors, acting as the Compensation Committee, comprising all five, independent members of the Board. The Board is responsible for determining the types and amounts of compensation paid to Mr. Samela. In fulfilling its role, the Board considers the Company's performance and strategic objectives in determining, on an annual basis, whether any corresponding adjustments to Mr. Samela's compensation levels are warranted, in light of the attainment of these performance objectives. The Board has the authority to retain outside consultants to assist the Board in performing these responsibilities. However, the Board has not to date used any compensation consultant firms to determine and review Mr. Samela's compensation.

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The Nominations and Remunerations Committee (NRC) of the Board of Directors of MPAL oversees the executive compensation program for Dr. Davies, as part of its ongoing responsibility for the executive compensation program for all of MPAL s senior officers. The NRC is comprised of Walter McCann, Robert Mollah and Norbury Rogers. For purposes of establishing the executive compensation program for Dr. Davies and the other senior officers of MPAL, MPAL retained the services of HR Advantage Consulting Pty Ltd, of Brisbane, Australia during the fiscal year ended June 30, 2007 to provide the NRC with consulting services related to compensation packages for MPAL senior officers, including Dr. Davies. With respect to executive compensation services, however, HR Advantage also provided direct confidential advice to the NRC and to Mr. Mollah, as Chairman of MPAL Board, as appropriate.

Neither Mr. Samela nor Dr. Davies determine or approve any element or component of his own base salary or any other aspects of his compensation. Dr. Davies is paid on the basis of a Total Remuneration Employment Cost (TREC) which includes a 9% compulsory company contribution into an Australian retirement (superannuation) fund of his choice. Through salary sacrifice, Dr Davies also makes additional contributions into his retirement fund.

Objectives of Our Compensation Program

Our executive compensation program is designed to motivate and reward our NEOs in a fiscally responsible manner. The oil and gas exploration and production industry has historically been highly competitive, a trend which has increased significantly in the last few years. As a result, experienced professionals have significant career mobility. We are a smaller company in a highly competitive industry that competes for executive talent with a large number of exploration and production companies, many of which have significantly larger market capitalization than us. Our ability to motivate and reward our executive officers and other key employees is essential to maintaining a competitive position in the oil and gas business. Our comparatively smaller size and relatively small executive management team pose unique challenges in this industry, and therefore, are substantial factors in the design of our executive compensation program.

In light of the foregoing factors, the Board and the NRC strive to maintain compensation programs that are competitive within the independent oil and gas industry in the United States and in Australia. The award of base salary, annual cash bonuses, equity-based awards and benefit packages to our NEOs are at the complete discretion of the Board and the NRC. Periodically, however, the Board and the NRC review our executive compensation program to assess whether the program remains competitive with those of similar companies, considers the program s effectiveness in creating adequate incentives for our executive officers to find, acquire, develop and produce oil and gas reserves in a cost-effective manner, and determines what changes, if any, are appropriate in light of our overall performance and ability to attract and retain talented executive officers.

The Board and the NRC may, in addition to base salaries, authorize annual cash bonuses and equity-based awards in the future for Messrs. Samela and Davies, based upon the attainment of our operational and strategic goals. We have not adopted specific target or performance levels which would automatically result in increases or decreases in compensation for Messrs. Samela and Davies. Instead, we make compensation determinations based upon a consideration of many factors, including those described below. We have not assigned relative weights or rankings to these factors. Specific elements of company performance and individual performance that we consider in setting compensation policies and making compensation decisions include the following factors:

the cyclical nature of the oil and gas business and industry trends in Australian oil and gas markets,

the growth in the quantity and value of our proved oil and natural gas reserves, volumes of oil and natural gas produced by the Company and our executives ability to replace oil and natural gas produced with new oil and natural gas reserves;

the Company's oil and gas finding costs and operating costs, cash flow from operations, annual revenues; and earnings per share;

the market value of the Company's common stock on the Nasdaq and the ASX;

the extent to which management has been successful in finding and creating opportunities to participate in acquisition, exploitation and drilling ventures having quality prospects;

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management's ability to formulate and maintain sound budgets for our business activities and overall financial condition;

the success of our acquisition and exploration activities and the achievement by management of specific tasks and goals set by the Board and the MPAL Board of Directors from time to time;

the effectiveness of our compensation packages in motivating our management to remain in our employment; and

the ability of management to effectively implement risk management practices.

In addition to considering these performance elements, we have also considered longevity of service of each NEO and the NEOs individual performance, leadership, and business knowledge.

Elements of Compensation

We seek to achieve our executive compensation objectives by providing our NEOs with the following elements of compensation:

a base salary that represents cash compensation based on internal equity and external industry-based competitiveness;

an opportunity to receive an annual cash bonus award based upon the achievement of goals and objectives attained during the course of a fiscal year;

potential equity-based awards under the Company's 1998 Stock Option Plan;

pension/retirement benefits and other personal benefits under our NEOs' employment contracts, as described below;

benefit programs provided to our U.S. employees, including health care benefits, dental, life, and vision coverage; and

termination payments and other benefits under the NEOs' employment agreements, in the event that the NEO's employment is terminated under specified circumstances.

Each of the material elements of our compensation program is discussed in greater detail below.

Base Salary

The purpose of base salary is to reflect Messrs. Samela and Davies executive's job responsibilities, individual performance and competitive compensation levels. The Board reviews and determines, on an annual basis, the base salary of Mr. Samela which is based upon his years of experience and his individual performance. Mr. Samela's salary amount is not at risk and may be adjusted annually based on merit and external market conditions. After consideration, the Board determined to increase Mr. Samela's base salary by approximately 4% from \$175,000 to \$182,000 for fiscal year 2008, to account for cost of living increases. In the 2007 fiscal year, Dr. Davies was paid a base salary of A\$352,218 as part of his annual TREC package of A\$412,000. After consideration, the NRC determined to increase Dr. Davies' annual TREC package for fiscal year 2008 by 5% from A\$412,000 to A\$432,600,

and his base salary has increased accordingly.

Annual Cash Bonus Awards

Our NEOs may receive an award of an annual cash bonus. The purpose of the cash bonus program is to better align executive performance with annual strategic goals while enhancing stockholder value. The Board does not pre-determine performance goals at the beginning of each year for Mr. Samela. Rather, the Board determines whether the award of a bonus has been warranted, in light of the Company's performance during each completed fiscal year, including the Company's operational results, net income, expenses, strategic development and any performance gaps or shortfalls. In light of its consideration of these factors, the Board (as noted above) determined to increase Mr. Samela's base salary to \$182,000 per year for fiscal year 2008, but determined not to award Mr. Samela an annual cash bonus for the fiscal year ended June 30, 2007. As noted above, the NRC determined to

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increase Dr. Davies TREC package to A\$432,600 for fiscal year 2008, but determined not to award Dr. Davies an annual cash bonus for the fiscal year ended June 30, 2007.

Equity-Based Compensation