

Rosetta Resources Inc.  
Form DEF 14A  
March 28, 2012  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**SCHEDULE 14A**

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

Exchange Act of 1934

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 §240.14a-12

**Rosetta Resources Inc.**

(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):

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x No fee required.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

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[LOGO]

ROSETTA RESOURCES INC.

717 Texas, Suite 2800

Houston, Texas 77002

April 13, 2012

Dear Rosetta Stockholder:

I am pleased to invite you to Rosetta's Annual Meeting of Stockholders. The Annual Meeting will be held at The Magnolia Hotel, 1100 Texas, Houston, Texas 77002, on Thursday, May 17, 2012 at 9:00 a.m., Central time.

The Notice of Annual Meeting and Proxy Statement, which are attached, provide information concerning the matters to be considered at the Annual Meeting. The Annual Meeting will cover the business contained in the Proxy Statement, including the election of seven directors to Rosetta's Board of Directors. I encourage you to read the enclosed Notice of Annual Meeting and Proxy Statement, which contains information about the Board of Directors and its committees and background information about each of the nominees for the Board. The Proxy Statement provides information concerning Rosetta's compensation of executive officers and includes a proposal for an advisory vote on executive compensation. The Proxy Statement also includes a proposal to ratify the appointment of Rosetta's independent registered public accounting firm.

We hope you can join us on May 17, 2012. Whether or not you can attend personally, it is important that your shares are represented at the meeting. We value your opinions and encourage you to participate in this year's Annual Meeting by voting your proxy. You may vote by Internet or by telephone using the instructions on the proxy card, or by signing your proxy card and returning it in the envelope provided. You can also attend in person and vote at the Annual Meeting.

Sincerely,

Randy L. Limbacher

*Chairman of the Board, Chief Executive Officer and President*

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ROSETTA RESOURCES INC.

717 Texas, Suite 2800

Houston, Texas 77002

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 17, 2012

To the Stockholders of

Rosetta Resources Inc.:

The Annual Meeting of Stockholders of Rosetta Resources Inc., a Delaware corporation (the Company, Rosetta, we, us or our ), will be held Thursday, May 17, 2012 at 9:00 a.m., Central time, at The Magnolia Hotel, 1100 Texas, Houston, Texas 77002, for the following purposes:

1. To elect seven directors to the Board of Directors of the Company;
2. An advisory vote on executive compensation;
3. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2012; and
4. To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 23, 2012 as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof. Only stockholders of record at the close of business on the record date are entitled to notice of, and to vote at, the meeting. A complete list of the stockholders will be available for examination at the offices of the Company at 717 Texas, Suite 2800, Houston, Texas 77002 during ordinary business hours for a period of 10 days prior to the meeting.

All stockholders are cordially invited to attend the meeting. Stockholders are urged to vote, whether or not they plan to attend the meeting. Please take time to vote by following the Internet or telephone voting instructions provided on the accompanying proxy card, or you may complete, date and sign the accompanying proxy card and return it in the postage-paid return envelope provided. You may revoke your proxy at any time before the vote is taken by following the instructions in this Proxy Statement.

By Order of the Board of Directors of

ROSETTA RESOURCES INC.

Karen Paganis

*Assistant General Counsel and Corporate Secretary*

Houston, Texas

April 13, 2012

**IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS**

**FOR THE STOCKHOLDERS MEETING TO BE HELD ON THURSDAY, MAY 17, 2012**

**The Company's Notice of Annual Meeting, Proxy Statement, and the 2011 Annual Report on Form 10-K are available on the Internet at [www.proxyvote.com](http://www.proxyvote.com).**

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GENERAL INFORMATION

**Q: What am I voting on?**

- A:
1. The election of Richard W. Beckler, Matthew D. Fitzgerald, Philip L. Frederickson, D. Henry Houston, Randy L. Limbacher, Josiah O. Low III, and Donald D. Patteson, Jr. to the Board of Directors;
  2. An advisory vote on executive compensation; and
  3. The ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm.

**Q: Who can vote?**

- A: Stockholders as of the close of business on March 23, 2012 are entitled to vote at the Annual Meeting.

**Q: How do I vote?**

- A: You may vote your shares either in person or by proxy. To vote by proxy, you may vote via telephone by using the toll-free number listed on the proxy card, via the Internet at the website for Internet voting listed on the proxy card, or you may mark, date, sign, and mail the enclosed proxy card in the prepaid envelope. Giving a proxy will not affect the right to vote the shares if you attend the Annual Meeting and want to vote in person by voting in person you automatically revoke the proxy. If you vote the shares in person, you must present proof that you own the shares as of the record date through brokers' statements or similar proof and identification. You also may revoke the proxy at any time before the meeting by giving the Corporate Secretary written notice of the revocation or by submitting a later-dated proxy. If you return the signed proxy card but do not mark the voting preference, the individuals named as proxies will vote the shares in accordance with the recommendations of the Board of Directors as set forth below.

**Q: How does the Board recommend I vote on the proposals?**

- A:
1. The Board unanimously recommends that you vote FOR the election of each of the Board's director nominees.
  2. The Board unanimously recommends that you vote FOR the approval of the advisory resolution on executive compensation.
  3. The Board unanimously recommends that you vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm.

**Q: How many shares can vote?**



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A: As of the record date, March 23, 2012, Rosetta had outstanding 52,814,251 shares of common stock. Each share of common stock is entitled to one (1) vote. Each share of restricted common stock held by Rosetta's employees and independent directors is entitled to one (1) vote, regardless of any outstanding vesting period.

**Q: What happens if I withhold my vote for an individual director?**

A: Because the individual directors are elected by a plurality of the votes cast at the meeting, a withheld vote will not have an effect on the outcome of the election of an individual director.

**Q: What is a broker non-vote?**

A: Under the rules of various national and regional securities exchanges, brokers may vote their customers' stock held in street name on routine matters when the brokers have not received voting instructions from their customers. Brokers may not vote their customers' stock held in street name on non-routine matters unless they have received voting instructions from their customers. Non-voted stock on non-routine matters are called broker non-votes.

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**Q: What routine matters will be voted on at the Annual Meeting?**

A: The ratification of the appointment of the independent registered public accounting firm is a routine matter on which brokers may vote in their discretion on behalf of customers who have not provided voting instructions.

**Q: What non-routine matters will be voted on at the Annual Meeting?**

A: The election of directors and the advisory compensation votes are considered non-routine matters on which brokers are not allowed to vote unless they have received voting instructions from their customers.

**Q: How many votes are needed to approve each of the proposals?**

A: Under our Bylaws, the nominees for election as directors at the Annual Meeting who receive the highest number of for votes will be elected as directors. This is called plurality voting. For this purpose, abstentions are not counted as a vote cast either for or against the director.

The ratification of the appointment of the independent registered public accounting firm and the approval, by non-binding vote, of executive compensation require the affirmative vote of a majority of votes cast at the Annual Meeting. For this purpose, abstentions are not counted as a vote cast either for or against the proposals.

**Q: Can I vote on other matters?**

A: We do not expect any other matter to come before the meeting. We did not receive any stockholder proposals by the date required for such proposals to be considered. If any other matter is presented at the Annual Meeting, the signed proxy gives the individuals named as proxies authority to vote the shares on such matters at their discretion.

**Q: Who is soliciting my proxy?**

A: The Board of Directors of Rosetta Resources Inc. is sending you this Proxy Statement in connection with the solicitation of proxies for use at Rosetta's 2012 Annual Meeting of Stockholders. Certain directors, officers and employees of Rosetta may also solicit proxies on our behalf by mail, phone, fax or in person. We have retained Morrow & Co., LLC to assist in the solicitation of proxies for a fee of approximately \$7,500 plus reimbursement of out-of-pocket expenses.

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ROSETTA RESOURCES INC.

717 Texas, Suite 2800

Houston, Texas 77002

**PROXY STATEMENT**

**For Annual Meeting of Stockholders**

**To Be Held on May 17, 2012**

**INTRODUCTION**

The accompanying proxy, mailed together with this Proxy Statement, is solicited by and on behalf of the Board of Directors (the Board of Directors or the Board) of Rosetta Resources Inc., a Delaware corporation (the Company, Rosetta, we, us or our), for use at the Annual Meeting of Stockholders of the Company (the Annual Meeting) to be held at 9:00 a.m., Central time, on May 17, 2012 at The Magnolia Hotel, 1100 Texas, Houston, Texas 77002, and at any adjournment or postponement thereof. The approximate date on which this Proxy Statement and the accompanying proxy will first be mailed to stockholders of the Company is April 13, 2012.

Shares represented by valid proxies will be voted at the meeting in accordance with the directions given. If no directions are given, the shares will be voted in accordance with the recommendations of the Board of Directors. Any stockholder of the Company returning a proxy has the right to revoke the proxy at any time before it is voted by communicating the revocation in writing to Karen Paganis, Assistant General Counsel and Corporate Secretary, Rosetta Resources Inc., 717 Texas, Suite 2800, Houston, Texas 77002, or by voting at a later time by Internet or telephone, by submitting a proxy bearing a later date or by attending the meeting and voting in person. No revocation by written notice or by delivery of another proxy shall be effective until the notice of revocation or other proxy, as the case may be, has been received by the Company at or prior to the meeting.

Only stockholders of record of the Company's common stock, par value \$0.001 per share, at the close of business on March 23, 2012, the record date for the meeting, are entitled to notice of and to vote at the meeting. On that date, Rosetta had outstanding 52,814,251 shares of common stock, each of which is entitled to one (1) vote.

**Voting Procedures and Tabulation**

Stockholders of record of common stock of the Company may vote in person at the meeting, via Internet or telephone, or by signing, dating, and returning the proxy card in the accompanying postage-paid envelope. Stockholders whose shares of common stock of the Company are held in the name of a bank, broker or other holder of record (that is, in street name) will receive separate instructions from such holder of record regarding the voting of proxies.

Rosetta will appoint one or more inspectors of election to act at the meeting and to make a written report thereof. Prior to the meeting, the inspectors will sign an oath to perform their duties in an impartial manner and according to the best of their ability. The inspectors will determine the number of shares represented at the meeting and the validity of proxies and ballots, count all votes and ballots, and perform certain other duties.

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The inspectors will tabulate the number of votes cast for, against or withheld from each matter submitted at the meeting for a stockholder vote. Votes that are withheld will be excluded entirely from the vote and will have no effect. Under the Marketplace Rules of the NASDAQ Stock Market LLC ( NASDAQ ), brokers who hold shares in street name have the discretionary authority to vote on certain routine items when they have not received instructions from beneficial owners. For purposes of the Annual Meeting, the ratification of the appointment of the Company's independent registered public accounting firm is a routine item. The election of directors is a non-routine item, meaning brokers are prohibited from voting with respect to the proposal if they have not received instructions from beneficial owners with respect to such proposal (so-called broker non-votes ). The advisory vote on executive compensation is also a non-routine item. A broker non-vote has the effect of a negative vote when a majority of the issued and outstanding shares is required for approval of a particular proposal and has no effect when a plurality or a majority of the votes cast is required for approval. Since directors are elected by a plurality and the ratification of the appointment of our independent registered public accounting firm and the advisory vote on executive compensation require the affirmative vote of a majority of the votes cast, broker non-votes will not affect the outcome of voting on those proposals.

## **Voting Securities**

Only holders of record of common stock of the Company at the close of business on March 23, 2012, the record date for the Annual Meeting, are entitled to notice of, and to vote at, the meeting. A majority of the shares of common stock entitled to vote, present in person or represented by proxy, is necessary to constitute a quorum. Abstentions and broker non-votes will be counted as present for establishing a quorum.

## **CORPORATE GOVERNANCE AND COMMITTEES OF THE BOARD**

### **Board of Directors**

The Board of Directors currently consists of seven directors. All seven current directors are standing for reelection. All of the Board members standing for re-election (other than Randy L. Limbacher, Chairman of the Board, Chief Executive Officer and President) meet the independence criteria under the NASDAQ rules. You may not vote for a greater number of persons than the number of nominees named.

Each Board member serves a one-year term or until such Board member's successor is duly elected to serve on the Board. In addition, our Bylaws provide that the authorized number of directors, which shall constitute the whole Board of Directors, may be changed by resolution duly adopted by the Board. Any vacancies and additional directorships resulting from an increase may be filled by the affirmative vote of a majority of the directors then in office, even though less than a quorum.

During 2011, the Board met seven times and acted by unanimous written consent one time. Each director attended all of the meetings of the Board of Directors and its committees of which such director was a member during the past fiscal year, either in person or by telephone. All of the directors attended the 2011 Annual Meeting of Stockholders.

### **Committees of the Board**

The Board of Directors has established three committees: the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. Although we are not required to have a separate Compensation Committee, we have determined that it is in the best interest of the Company to maintain an independent Compensation Committee.

**Audit Committee and Audit Committee Financial Expert.** The Audit Committee appoints the independent registered public accounting firm to audit our financial statements and oversee the annual audit. The Audit Committee also approves any other services provided by the public accounting firm. The Audit Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the stockholders, relating to the integrity of the quarterly and annual financial statements, the compliance with legal and regulatory

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requirements governing the preparation and reporting of financial information, the independent registered public accounting firm's qualifications and independence, and the performance of the internal audit function. It is the responsibility of the Audit Committee to maintain free and open communication with the independent registered public accounting firm, the internal accounting function and management of the Company. Additionally, the Audit Committee obtains and reviews an audit report by the independent reserve engineering consultants regarding the evaluation of the Company's reserves. Messrs. Matthew D. Fitzgerald, D. Henry Houston, and Donald D. Patteson, Jr. serve on the Audit Committee, and are all independent under NASDAQ rules and the rules of the Securities and Exchange Commission (SEC). Mr. Fitzgerald, Chairman of the Audit Committee, and Messrs. Houston and Patteson are Audit Committee financial experts, as defined under the rules of the SEC.

The Audit Committee met five times during 2011. Each member of the Audit Committee attended all of the meetings, either in person or by telephone. See the report of the Audit Committee in this Proxy Statement. A copy of the Audit Committee's charter is posted in the Corporate Governance section of our website at [www.rosettaresources.com](http://www.rosettaresources.com).

**Compensation Committee.** The Compensation Committee reviews the compensation and benefits of our executive officers, establishes and reviews general policies related to compensation and benefits, and administers the Company's long-term incentive plan. Pursuant to the Compensation Committee charter, the Compensation Committee determines the compensation of senior executives of the Company. Messrs. Donald D. Patteson, Jr., Philip L. Frederickson, and Josiah O. Low III serve on the Compensation Committee of the Board, and are independent under NASDAQ rules. The Chairman is Mr. Patteson. The Compensation Committee met six times during 2011. Each member of the Compensation Committee was present, either in person or by telephone, for all of the meetings. A copy of the Compensation Committee's charter is posted in the Corporate Governance section of our website at [www.rosettaresources.com](http://www.rosettaresources.com).

**Nominating and Corporate Governance Committee.** The Nominating and Corporate Governance Committee assists the Board by identifying individuals qualified to become members of the Board, consistent with criteria approved by the Board, recommending director nominees for election at the Annual Meeting of Stockholders or for appointment to fill vacancies, recommending the election of officer candidates, monitoring the independence of Board members, reviewing individual director participation in director education programs, and advising the Board about the appropriate composition of the Board and its committees. The Nominating and Corporate Governance Committee also develops and recommends to the Board corporate governance principles and practices and assists in implementing them, including conducting a regular review of the corporate governance principles and practices and recommending to the Board any additions, amendments or other changes. The Nominating and Corporate Governance Committee oversees the annual evaluation concerning the performance of the Board and the committees of the Board, makes a report to the Board on succession planning and evaluates potential successors to the CEO with the Board. Messrs. Richard W. Beckler, Philip L. Frederickson, and Josiah O. Low III serve on the Nominating and Corporate Governance Committee of the Board, and are all independent under NASDAQ rules. The Chairman is Mr. Beckler. The Nominating and Corporate Governance Committee met five times in 2011. Each member of the Nominating and Corporate Governance Committee was present, either in person or by telephone, at all meetings during 2011. A copy of the Nominating and Corporate Governance Committee's charter is posted in the Corporate Governance section of our website at [www.rosettaresources.com](http://www.rosettaresources.com).

## **Corporate Governance**

**Board of Directors Governance Guidelines and Other Governance Documents.** The Board of Directors has adopted the Board of Directors Governance Guidelines (Governance Guidelines) to govern the qualifications and conduct of the Board. The Governance Guidelines are posted in the Corporate Governance section of our website at [www.rosettaresources.com](http://www.rosettaresources.com) together with the following governance documents:

Amended and Restated Bylaws,

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Code of Business Conduct and Ethics (the Ethics Code ),

Audit Committee Charter,

Compensation Committee Charter,

Nominating and Corporate Governance Committee Charter,

Non-Employee Director Stock Ownership Guidelines, and

Officers Stock Ownership Guidelines.

These documents are also available in print to any stockholder requesting a copy in writing from the Corporate Secretary of the Company at 717 Texas, Suite 2800, Houston, Texas 77002.

**Director Independence.** The standards applied by the Board of Directors in affirmatively determining whether a director is independent in compliance with the listing standards of NASDAQ generally provide that a director is not independent if: (a) the director is, or in the past three years has been, an employee of Rosetta or any of its subsidiaries; (b) a member of the director's immediate family is, or in the past three years has been, an executive officer of Rosetta or any of its subsidiaries; (c) the director or a member of the director's immediate family has received more than \$100,000 in compensation from Rosetta or any of its subsidiaries during any period of twelve consecutive months within the three years preceding the determination of independence other than compensation for service as a director, compensation of a family member who is an employee but not an executive officer or benefits under a tax-qualified retirement plan or non-discretionary plan; (d) the director or a member of the director's immediate family is, or in the past three years has been, employed in a professional capacity by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, or has worked for such firm in any capacity on Rosetta's audit; (e) the director or a member of the director's immediate family is, or in the past three years has been, employed as an executive officer of a company where a Rosetta executive officer serves on the compensation committee of such company; or (f) the director or a member of the director's immediate family is a partner in, a controlling stockholder of or an executive officer of a company that makes payments to, or receives payments from, Rosetta or any of its subsidiaries in an amount which, in any twelve-month period during the past three years, exceeds the greater of \$200,000 or five percent of the consolidated gross revenues of the company receiving the payment.

The Board of Directors, applying the standards referenced above, affirmatively determined that six of its members, Messrs. Beckler, Patteson, Houston, Fitzgerald, Frederickson and Low, constituting more than a majority of the Board, are independent under NASDAQ rules. The Board of Directors also determined that all members of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee are independent.

**Independent Directors/Executive Sessions.** In 2011, during Board and committee meetings, the independent directors met thirteen times in executive session, outside of the presence of members of the management team. The Audit Committee meets with the independent registered public accounting firm without anyone else present except for the other independent directors.

**Board Leadership Structure and Role in Risk Oversight.** In early 2010, the Board elected Randy L. Limbacher, Chief Executive Officer and President, to the position of Chairman (Chairman, CEO and President) and established the lead independent director position. In May 2011, the Board appointed Philip L. Frederickson as lead independent director. The Board believes that this leadership structure is currently best for the Company, as it appropriately balances the need for the chief executive officer to manage the daily activities of the Company and provides for a lead independent director to oversee the executive sessions of the independent directors and enhances the relationship between the Board and the Chairman, CEO and President. In appointing Mr. Limbacher as Chairman, the Board concluded that Mr. Limbacher's leadership since being appointed CEO and President has served the Company and its stockholders well, as he is integrally involved with all aspects of

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the Company's operations and provides the Board with effective oversight of management. The Board believes this leadership structure enhances the Board's role in risk oversight as Mr. Limbacher is in a position to elevate the most critical business issues for consideration by the Board.

The Board is actively involved in risk oversight for the Company. The Board believes it is a Board-level function to provide oversight to the Company in the management of risks. The Board recognizes there is a balance between risk and reward and believes the Company's overall risk profile is appropriate. While certain risks are in the purview of committees of the Board, and are scrutinized at the committee level, the full Board has responsibility for risk oversight. The committees regularly report their risk-oversight activities to the Board.

Management of the Company takes a comprehensive approach to risk management, with the view that risk is inherent in every action taken by the Company. Management of risk is a responsibility of employees at all levels. As management refines the strategic plan for the Company on a regular basis, it assesses specific areas of risk to implementation of the strategy. The Company has also developed a risk management program to assess and manage key risks to the Company. Regular operational and strategic briefings are provided to the Board and inherent risks are discussed with the Board. The Board receives a briefing on the risk management process on an annual basis.

Through the Audit Committee, the Board monitors financial risk and hedging activities. The internal audit function is responsible for monitoring the Company's compliance with the provisions of the Sarbanes-Oxley Act of 2002 and for financial and operational audits. The internal audit function reports directly to the Audit Committee, while the Chief Financial Officer has administrative responsibility for the internal audit function.

The Compensation Committee monitors risks associated with compensation practices for the Company. While the Company does not believe that any of our compensation policies create risks that are reasonably likely to have a material adverse effect on the Company, the Board believes that it is important to articulate our major policies and how they incentivize actions and decisions that benefit stockholders. First, because Rosetta provides a portion of compensation to many of our employees in the form of restricted stock, a majority of our employees are stockholders. Like the shares granted to our executives, the restricted stock granted to employees vests over three years. We believe this vesting period helps to ensure that both employees and executives take actions and make decisions which contribute to long-term positive performance, thus aligning us with the long-term interests of our stockholders. Second, we believe our annual bonus plan measures the behaviors that contribute to the success of an exploration and production business. We base our payout on the following equally weighted metrics: production volumes (barrels of oil equivalent (Boe)/day), reserves added, finding costs, earnings before interest, taxes, depreciation and amortization (EBITDA), lifting and operating expenses and general and administrative expenses per unit produced; and reserve the right to modify the result up or down based on such additional factors as total stockholder return, environmental, health and safety performance, and long-term inventory development. The metrics used in developing our bonus pool are the same for both executives and employees to ensure internal alignment. Further, we have designed the bonus plan metrics with diversified measures and compensating objectives that we consider very beneficial to overall financial performance. For example, adding costly reserves may help us exceed the reserve goal, but doing so would likely cause us to fall short of the finding and development cost goal. We believe that the granting of restricted stock to almost all of our employees and the bonus plan we utilize promotes behavior that is consistent with the interests of our stockholders, both in the short-term and the long-term. Further, a significant portion of executive compensation is in the form of long-term compensation, including performance shares, which is paid over time. For further discussion of Rosetta's compensation philosophy, see Compensation Discussion and Analysis.

**Board Composition.** The Nominating and Corporate Governance Committee is responsible for reviewing the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. The Nominating and Corporate Governance Committee believes that the minimum qualifications for serving as a director are that a nominee demonstrate an ability to make a meaningful contribution to the Board's oversight of the business and affairs and have a reputation for ethical conduct. Nominees for director will include individuals

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who, taking into account their diversity, skills, and experience in the context of the needs of the Board, as well as other relevant factors such as conflicts of interest and other commitments, would enhance the Board's ability to manage and direct the affairs and business of the Company. Although we do not have a policy on diversity for board members, it is a factor in assessing potential directors. Diversity not only encompasses racial and gender diversity, but it also relates to diversity of experience and background in an effort to ensure that the composition of our directors provides a strong and well balanced foundation of skill and experience.

The Nominating and Corporate Governance Committee identifies candidates by asking the current directors and executive officers to notify the Nominating and Corporate Governance Committee if they become aware of individuals who meet the criteria described above. The Nominating and Corporate Governance Committee has the sole authority to engage firms that specialize in identifying director candidates. The Nominating and Corporate Governance Committee will also consider candidates recommended by stockholders. After the Nominating and Corporate Governance Committee has identified a potential candidate, it collects and reviews available information regarding the individual, and if the Nominating and Corporate Governance Committee determines that the candidate warrants further consideration, the Chairman or another committee member will contact the person. Generally, if the individual expresses a willingness to be considered for election to the Board, the Nominating and Corporate Governance Committee will request information from the candidate, review the individual's qualifications, engage a third party to conduct a background investigation, and conduct one or more interviews with the candidate. When the Nominating and Corporate Governance Committee has completed this process, it makes a recommendation to the full Board.

**Board's Interaction with Stockholders.** The CEO and other corporate officers are responsible for establishing effective communications with the stockholders. In accordance with this policy, management speaks for the Company. This policy does not preclude independent directors from meeting with stockholders, but where appropriate, management should be present at such meetings. Stockholders may submit communications to directors by writing to the Corporate Secretary of the Company at the executive offices set forth in this Proxy Statement under Additional Information - Stockholder Communications with the Board of Directors.

**Business Conduct and Ethics.** The Ethics Code requires all of our directors, officers and employees to adhere to certain basic principles that uphold the Company's guiding values of integrity, accountability and professionalism. The Ethics Code requires such individuals to comply with the law, avoid conflicts of interest, compete fairly and honestly, maintain a safe and healthy work environment, and preserve Company assets. This includes specific compliance procedures and a mechanism for reporting violations to a supervisor, the Internal Audit Department, or to the General Counsel. We have established an ethics hotline for employees to use and a procedure for maintaining anonymity with respect to an employee reporting a violation of the Ethics Code. You can access the Ethics Code in the Corporate Governance section of our website at [www.rosettaresources.com](http://www.rosettaresources.com). Changes in or waivers of the Ethics Code may be made only by the Board of Directors or, in the case of any change or waiver of the Ethics Code for the principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions (collectively, the principal officers), only by the independent directors on the Board of Directors. All changes in or waiver of the Ethics Code for the principal officers will be promptly disclosed as required by law or stock exchange regulations, which we would provide on our website.

**Directors' Continuing Education.** The Governance Guidelines require directors to participate in continuing education in subjects relevant to the duties of a director. While the Company arranges for director education presentations around the regular meetings of the Board of Directors, the directors also attend continuing education programs provided by independent organizations.



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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

As of the date of this Proxy Statement, the Company's Board consists of seven directors, all of whom will stand for election, and six of whom are independent under NASDAQ rules. Information regarding the business experience and qualifications of each nominee is provided below. All directors are elected annually to serve until the next Annual Meeting and until successors are elected.

Directors are elected by plurality vote of the shares present at the Annual Meeting, meaning that the director nominees with the most affirmative votes are elected. If you sign the proxy card but do not give instructions with respect to the voting of directors, the proxyholders will vote in favor of the seven persons recommended by the Board. If you wish to give specific instructions with respect to the voting of directors, you must do so with respect to the slate of seven persons who will be voted upon at the Annual Meeting. You may not vote for a greater number of persons than the number of nominees named.

The Board expects that all of the nominees will be available to serve as directors as indicated. If any nominee should become unavailable, however, the proxyholders will vote for a nominee or nominees who would be designated by the Board of Directors unless the Board chooses to reduce the number of directors serving on the Board.

**The Board of Directors unanimously recommends that you vote FOR the election of each of the Board's director nominees.**

**Company Nominees for Director**

**Randy L. Limbacher**, age 54, has served as Director and Chief Executive Officer and President of Rosetta since November 1, 2007. In February 2010, Mr. Limbacher was appointed as the Chairman of the Board. Prior to joining Rosetta, Mr. Limbacher served as President, Exploration and Production Americas for ConocoPhillips, and was responsible for all exploration and production activities in the Western Hemisphere. Mr. Limbacher joined ConocoPhillips during its April 2006 acquisition of Burlington Resources Inc., an organization with which he had spent over 20 years. At Burlington, Mr. Limbacher held a series of positions of increasing responsibility, including his role at the time of the acquisition of Executive Vice President, Chief Operating Officer and as a director on the Board of Directors of Burlington. Early in his career, he served in engineering roles with Conoco and Mobil/Superior Oil. Mr. Limbacher serves on the Board of Directors of CARBO Ceramics Inc. He holds a Bachelor of Science in Petroleum Engineering from Louisiana State University. Mr. Limbacher has 31 years of experience in the exploration and production business, both domestically and internationally, and has extensive leadership experience gained at both Rosetta and other companies in the energy industry. He is also experienced in managing independent oil and gas exploration and production companies and providing strategic direction. Mr. Limbacher's service on other public boards provides experience and knowledge of best practices that may benefit Rosetta's Board of Directors.

**D. Henry Houston**, age 72, has served as Director of Rosetta since July 2005. Mr. Houston served as Chairman of the Board from July 2007 until February 2010. From 2002 through 2008, when he retired, Mr. Houston was Executive Vice President, Chief Operating Officer and Chief Financial Officer, as well as a director, of Remote Knowledge, Inc., a company offering communication services for marine pleasure craft. From 1995 through 2002, he served as Executive Vice President and Chief Financial Officer of T.D. Rowe Amusements, a private company operating approximately 25,000 vending and amusement devices. Mr. Houston also previously worked as an oil and gas consultant and served as President of KP Exploration, Inc., Chairman of the Board of Magee Poole Drilling Company, President of Black Hawk Oil Company, Chief Financial Officer of C&K Petroleum, and Vice President, Chief Financial Officer and director of Southdown Inc. Earlier in his career, he worked with Price Waterhouse and with Detsco, Inc. Mr. Houston has a degree in accounting from the University of Arkansas. Mr. Houston's financial accounting background, prior energy experience, and general business acumen are assets to Rosetta's Board of Directors.

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**Richard W. Beckler**, age 72, has served as Director of Rosetta since July 2005. Since March 2011, Mr. Beckler has been a partner in Bracewell & Giuliani LLP's white collar defense practice and head of the litigation practice. From 2003 until March 2011, he served as a partner in the global litigation group and as the head of the firm's Securities, Government Enforcement and White Collar Defense group of the law firm of Howrey LLP. From 1979 through 2003, he was a partner in the law firm of Fulbright & Jaworski and at the end of his tenure, was the head of the litigation group in Washington, D.C. Mr. Beckler also served as a section chief in the Criminal Fraud Section of the U.S. Department of Justice, and as an Assistant District Attorney in the Manhattan District Attorney's Office. Mr. Beckler has a Juris Doctor degree from Fordham Law School and over 40 years of experience practicing law at private firms, the U.S. Department of Justice and the New York County (Manhattan) District Attorney's Office. This has enabled Mr. Beckler to bring legal expertise, and more specifically expertise in securities regulation, to Rosetta's Board of Directors.

**Donald D. Patteson, Jr.**, age 66, has served as Director of Rosetta since July 2005. Mr. Patteson is the founder and Chairman of the Board of Directors of Sovereign Business Forms, Inc., a consolidator in the wholesale manufacturing of custom business forms and related products segment of the printing industry. He also served as Chief Executive Officer of Sovereign from August 1996 until his retirement in August 2008. Prior to founding Sovereign in August 1996, he served as Managing Director of Sovereign Capital Partners, an investment firm specializing in leveraged buyouts. Mr. Patteson also previously served as President and Chief Executive Officer of WBC Holdings, Inc., and President and Chief Executive Officer of Temple Marine Drilling, Inc./R.C. Chapman Drilling Co., Inc., and President, Chief Executive Officer and Director of Temple Drilling. He also worked with Atwood Oceanics, Houston Offshore International, Western Oceanic and Arthur Andersen's management consulting practice earlier in his career. In August 2011, Mr. Patteson became a director of Carriage Services, Inc. Mr. Patteson has an MBA with concentration in finance from the University of Texas. Mr. Patteson has 24 years of experience as a chief executive officer in various industries including the oil and gas service industry, which enables him to provide the Board with valuable financial accounting expertise, experience with major financial transactions and insight into the oil and gas service industry.

**Josiah O. Low III**, age 72, has served as Director of Rosetta since December 2006. He is currently a Senior Advisor to Catterton Partners, a private equity firm. Prior to serving with Catterton, Mr. Low led the corporate finance group of Donaldson, Lufkin and Jenrette (DLJ) as a Managing Director for over 16 years. He was a significant contributor in the development of DLJ from a boutique investment bank into one of Wall Street's largest and most prestigious firms, prior to its merger with Credit Suisse First Boston. Preceding his position at Credit Suisse, Mr. Low was a founding Managing Director of Merrill Lynch Capital Markets Group. Mr. Low is a graduate of Williams College. Mr. Low's investment banking experience, particularly in the energy sector, allows him to contribute broad financial and energy sector expertise to the Board.

**Philip L. Frederickson**, age 55, has served as Director of Rosetta since July 2008. In May 2011, he was appointed as the lead independent director. Mr. Frederickson retired from ConocoPhillips in January 2008, where he was serving as Executive Vice President, Planning, Strategy and Corporate Affairs. Prior to serving in this role, he held the position of Executive Vice President, Commercial. Mr. Frederickson joined Conoco in 1978 and held various positions in the United States and Europe, with diverse responsibilities including refining and marketing operations, upstream strategy and portfolio management, and business development. Mr. Frederickson serves on the board of directors for Sunoco Logistics Partners LP and Chesapeake Midstream Partners LP. He is also a director for The Yellowstone Park Foundation. Mr. Frederickson holds a Bachelor of Science in Industrial Engineering from Texas Tech University. Mr. Frederickson's broad assignments and executive management experience in the energy industry provide relevant experience in a number of strategic and operational areas.

**Matthew D. Fitzgerald**, age 54, has served as Director of Rosetta since September 2008. He has been President of Total Choice Communications LLC, a Sprint Preferred Retailer based in Houston, Texas, since September 2009. Mr. Fitzgerald retired from Grant Prideco, Inc. in April 2008, where he served as Executive Vice President and Chief Financial Officer from January 2004 until his retirement, and Treasurer from February 2007 until his retirement. Prior to joining Grant Prideco, Inc., Mr. Fitzgerald served as Executive Vice President,

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Chief Financial Officer, and Treasurer of Veritas DGC from March 2001 until January 2004. Mr. Fitzgerald was employed by BJ Services Company from 1989 to 2001, where he served as Vice President and Controller. Mr. Fitzgerald was also a senior manager with the accounting firm of Ernst & Whinney. Mr. Fitzgerald holds a Bachelor of Business Administration and a Masters in Accountancy from the University of Florida. Mr. Fitzgerald's prior positions of responsibility as chief financial officer and controller for service companies within the energy industry provide strong financial and accounting expertise to Rosetta's Board of Directors, and allow Mr. Fitzgerald to provide valuable insight into the service industry to the Company.

### **Stockholder Nomination of Directors**

The Company has not received stockholder recommendations for a nominee for director for consideration at the Annual Meeting. To be considered at the Annual Meeting, our Bylaws require that a stockholder's notice with respect to director nominations be submitted to the Company no earlier than January 7, 2013 and no later than February 6, 2013.

Stockholder recommendations of individuals for consideration as a nominee for director at future annual meetings should be submitted in writing to the attention of the Corporate Secretary, 717 Texas, Suite 2800, Houston, Texas 77002 not later than the 90th day nor earlier than the 120th day before the anniversary date of the immediately preceding annual meeting. To be in proper written form, a stockholder's notice with respect to director nominations must set forth:

1. As to each nominee, the name, age, business address and residence address of such nominee and his or her principal occupation or employment;
2. As to the stockholder giving notice, (a) certain identifying information with respect to such stockholder and any other person on whose behalf the nomination is made (such stockholder or other person, a "Nominating Person") and (b) a description of all arrangements or understandings between such Nominating Person, any proposed nominee and any other person (including their names) pursuant to which the nomination(s) are to be made by the Nominating Person; and
3. As to each nominee or Nominating Person, (a) the class and number of shares of the Company's capital stock owned beneficially or of record by such person, (b) whether and the extent to which any hedging or other transaction has been entered into by or on behalf of, or any other agreement has been made, the effect or intent of which is to mitigate loss or manage the risk or benefit of share price changes for, or to increase or decrease the voting power of, such person with respect to any Company securities, and (c) any other information relating to such persons required to be disclosed in a proxy statement or other filings required to be made in connection with proxy solicitations for election of directors pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

All stockholder notices must include a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such nomination before the meeting and a statement whether any Nominating Person intends to solicit proxies in connection with the nomination. Additionally, director nomination notices must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

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

The following table sets forth, as of March 6, 2012, information with respect to the only persons who were known to the Company to be beneficial owners of more than five percent of the outstanding shares of common stock of the Company.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Jennison Associates LLC 466 Lexington Avenue New York, New York 10017	3,066,526 (1)	5.8%
Prudential Financial Inc. 751 Broad St. Newark, New Jersey 07102	3,068,786 (2)	5.8%
Vanguard Group Inc. 100 Vanguard Blvd. Malvern, Pennsylvania 19355	3,091,678 (3)	5.82%
Goldman Sachs Asset Management, L.P. 200 West Street New York, New York 10282	3,198,165 (4)	6.0%
First Pacific Advisors, LLC 11400 West Olympic Blvd., Suite 1200 Los Angeles, California 90064	3,291,222 (5)	6.2%
BlackRock Inc. 55 East 52ND Street New York, New York 10055	4,250,777 (6)	8.02%
Wellington Management Company, LLP 280 Congress Street	5,095,267 (7)	9.61%

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Boston, Massachusetts 02210

Capital World Investors

5,825,000 (8)

11.0%

333 South Hope Street

Los Angeles, California 90071

- (1) Based solely on a Schedule 13G filed with the SEC by Jennison Associates LLC ( Jennison ) on February 14, 2012. Jennison, in its capacity as investment adviser, has sole voting power with respect to 2,930,020 shares of our common stock and shared dispositive power with respect to 3,066,526 shares of our common stock.
- (2) Based solely on a Schedule 13G filed with the SEC by Prudential Financial Inc. ( Prudential ) on February 13, 2012. Prudential, in its capacity as investment adviser, has sole voting power with respect to 141,664 shares of our common stock, shared voting power with respect to 2,004,855 shares of our common stock, sole dispositive power with respect to 141,664 shares of our common stock, and shared dispositive power with respect to 2,927,122 shares of our common stock.

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- (3) Based solely on a Schedule 13G filed with the SEC by Vanguard Group Inc. ( Vanguard ) on February 10, 2012. Vanguard, in its capacity as investment adviser, has sole voting power with respect to 73,444 shares of our common stock, has sole dispositive power with respect to 3,018,234 shares of our common stock and shared dispositive power with respect to 73,444 shares of our common stock.
  
- (4) Based solely on a Schedule 13G filed with the SEC by Goldman Sachs Asset Management, L.P. ( Goldman ) on February 10, 2012. Goldman, in its capacity as investment adviser, has shared voting power with respect to 3,140,272 shares of our common stock and has shared dispositive power with respect to 3,198,165 shares of our common stock.
  
- (5) Based solely on a Schedule 13G filed with the SEC on February 14, 2012 on behalf of First Pacific Advisors, LLC, a Delaware limited liability company ( FPA ), FPA Capital Fund, Inc., a Maryland corporation and a registered open-end investment company ( FPA Capital ), Robert L. Rodriguez, Managing Member of FPA, J. Richard Atwood, Managing Member of FPA, and Steven T. Romick, Managing Member of FPA. FPA, in its capacity as investment adviser to its various clients, has shared voting power with respect to 1,388,900 shares of our common stock and shared dispositive power with respect to 3,226,222 shares of our common stock. Messrs. Rodriguez and Atwood own 52,000 and 65,000 shares of our common stock, respectively. As controlling persons of FPA, Messrs. Rodriguez, Atwood and Romick may be deemed to beneficially own 3,291,222 shares of our common stock owned by FPA's clients. Messrs. Rodriguez, Atwood and Romick disclaim beneficial ownership of the securities owned by FPA's clients.
  
- (6) Based solely on a Schedule 13G/A filed with the SEC by BlackRock Inc. ( BlackRock ) on February 10, 2012. BlackRock, in its capacity as investment adviser, has sole voting power with respect to 4,250,777 shares of our common stock.
  
- (7) Based solely on a Schedule 13G/A filed with the SEC by Wellington Management Company, LLP ( Wellington ) on February 14, 2012. Wellington, in its capacity as investment adviser, has shared voting power with respect to 3,942,030 shares of our common stock and shared dispositive power with respect to 5,095,267 shares of our common stock.
  
- (8) Based solely on a Schedule 13G/A filed with the SEC by Capital World Investors ( Capital World ) on February 10, 2012. Capital World, in its capacity as investment adviser, has sole voting power with respect to 5,825,000 shares of our common stock.

**Table of Contents****Security Ownership of Directors and Executive Officers**

The following table sets forth, as of March 27, 2012, the shares of common stock beneficially owned by each director, each of our named executive officers, and all director nominees and executive officers as a group.

Name	Common Stock	
	Beneficially Owned (1)	
	Number	Percent of
	of Shares	Class
<b>Directors</b>		
Randy L. Limbacher	591,488 (2)	1%
Richard W. Beckler	36,878 (3)	*
Matthew D. Fitzgerald	22,002 (4)	*
Philip L. Frederickson	33,517 (5)	*
D. Henry Houston	41,510 (6)	*
Josiah O. Low III	60,947 (7)	*
Donald D. Patteson, Jr.	47,540 (8)	*
<b>Named Executive Officers (excluding Mr. Limbacher)</b>		
John D. Clayton	170,770 (9)	*
James E. Craddock	125,501 (10)	*
Michael H. Hickey	106,480 (11)	*
John E. Hagale	28,161 (12)	*
Michael J. Rosinski	77,229 (13)	*
All directors and executive officers as a group (15 persons)	1,514,073	3%

\* Less than one percent.

- (1) Unless otherwise indicated, all shares are directly held with sole voting and investment power.
- (2) Represents (i) 319,541 shares of common stock, (ii) 74,347 restricted shares of common stock, with restrictions to lift on various dates through January 2015, provided that Mr. Limbacher is continuously employed by the Company or an affiliate until such dates, and (iii) 197,600 shares of common stock underlying fully vested options.
- (3) Represents (i) 21,937 shares of common stock, (ii) 2,441 restricted shares of common stock, with restrictions to lift in May 2012, provided (generally) that Mr. Beckler continues board service with the Company until such dates, and (iii) 12,500 shares of common stock underlying fully vested options.
- (4) Represents (i) 14,561 shares of common stock, (ii) 2,441 restricted shares of common stock, with restrictions to lift in May 2012, provided (generally) that Mr. Fitzgerald continues board service with the Company until such dates, and (iii) 5,000 shares of common stock underlying fully vested options.
- (5) Represents (i) 26,076 shares of common stock, (ii) 2,441 restricted shares of common stock, with restrictions to lift in May 2012, provided (generally) that Mr. Frederickson continues board service with the Company until such dates, and (iii) 5,000 shares of common stock

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underlying fully vested options.

- (6) Represents (i) 14,069 shares of common stock, (ii) 2,441 restricted shares of common stock, with restrictions to lift in May 2012, provided (generally) that Mr. Houston continues board service with the Company until such dates, and (iii) 25,000 shares of common stock underlying fully vested options.
- (7) Represents (i) 58,506 shares of common stock and (ii) 2,441 restricted shares of common stock, with restrictions to lift in May 2012, provided (generally) that Mr. Low continues board service with the Company until such dates.
- (8) Represents (i) 20,099 shares of common stock, (ii) 2,441 restricted shares of common stock, with restrictions to lift in May 2012, provided (generally) that Mr. Patteson continues board service with the Company until such dates, and (iii) 25,000 shares of common stock underlying fully vested options.

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- (9) Represents (i) 93,719 shares of common stock, (ii) 24,387 restricted shares of common stock, with restrictions to lift on various dates through January 2015, provided that Mr. Clayton is continuously employed by the Company or an affiliate until such dates, and (iii) 52,664 shares of common stock underlying fully vested options.
- (10) Represents (i) 48,450 shares of common stock, and (ii) 24,387 restricted shares of common stock, with restrictions to lift on various dates through January 2015, provided that Mr. Craddock is continuously employed by the Company or an affiliate until such dates, (iii) 52,664 shares of common stock underlying fully vested options.
- (11) Represents (i) 37,543 shares of common stock, and (ii) 15,773 restricted shares of common stock, with restrictions to lift on various dates through January 2015, provided that Mr. Hickey is continuously employed by the Company or an affiliate until such dates, and (iii) 53,164 shares of common stock underlying fully vested options.
- (12) Represents (i) 5,000 shares of common stock and (ii) 23,161 restricted shares of common stock, with restrictions to lift on various dates through January 2015, provided that Mr. Hagale is continuously employed by the Company or an affiliate until such dates.
- (13) Represents 77,229 shares of common stock.

**Executive Officers Who are Not Directors**

Name	Age	Position
John E. Hagale	55	Executive Vice President, Chief Financial Officer and Treasurer
John D. Clayton	48	Senior Vice President, Asset Development
James E. Craddock	53	Senior Vice President, Drilling and Production Operations
Michael H. Hickey	57	Vice President and General Counsel
Stephen A. Coan	58	Vice President and Controller
J. Chad Driskill	47	Vice President, Marketing and Business Development
Gerald L. Maxwell	58	Vice President, Human Resources and Administration

**John E. Hagale**, age 55, has served as Executive Vice President, Chief Financial Officer and Treasurer of Rosetta since November 2011. Prior to joining the Company, Mr. Hagale was Executive Vice President, Chief Financial Officer and Chief Administrative Officer of The Methodist Hospital System from June 2003 through October 2011. He was also employed with Burlington Resources Inc. and its predecessor Burlington Northern Inc. for 15 years where he held a series of executive financial positions with increasing responsibilities, including Executive Vice President and Chief Financial Officer of Burlington Resources Inc. Mr. Hagale began his career with Deloitte Haskins and Sells. Mr. Hagale holds a Bachelor of Business Administration degree in Accounting from the University of Notre Dame. He has more than 30 years of financial and accounting experience.

**John D. Clayton**, age 48, has served as Vice President, Asset Development of Rosetta since March 2008 and was named a Senior Vice President in January 2011. In this capacity, he oversees all activities related to reservoir engineering, geosciences, land, new ventures, and acquisition and divestiture efforts. Mr. Clayton has more than 25 years of industry experience including reservoir, production and drilling engineering, as well as business development activities related to strategic planning, mergers, acquisitions and joint ventures. Prior to joining the Company, Mr. Clayton was Manager, Lower 48 Business Development for ConocoPhillips. Mr. Clayton joined ConocoPhillips in 2006 as a result of its merger with Burlington Resources Inc. where he spent more than 20 years in various leadership and managerial positions, including as the Director of Worldwide Acquisitions and Divestitures at the time of the merger. Mr. Clayton has a Bachelor of Science degree in Petroleum Engineering from Louisiana State University. Mr. Clayton is a member of the Board of Directors of Junior Achievement of Southeast Texas.

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**James E. Craddock**, age 53, has served as Vice President, Drilling and Production Operations of Rosetta since April 2008 and was named a Senior Vice President in January 2011. From April 2006 to March 2008, Mr. Craddock was Chief Operating Officer for BPI Energy, Inc., an exploration and production start-up company focused on coal bed methane development. On February 3, 2009, BPI Energy, Inc. filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. Mr. Craddock began his industry career with Superior Oil Company in 1981 and then held a broad range of technical, operational and strategic roles with Burlington Resources Inc. and its predecessor companies for more than 20 years. At Burlington, he held a series of positions of increasing responsibility, most recently as Chief Engineer. Mr. Craddock has extensive experience in production operations, reservoir and production engineering, and unconventional oil and gas exploitation. Mr. Craddock received a Bachelor of Science degree in Mechanical Engineering from Texas A&M University.

**Michael H. Hickey**, age 57, has served as Vice President and General Counsel of Rosetta since August 2005. Prior to joining the Company, Mr. Hickey served as Vice President, Law and Secretary of Technip Offshore Inc. from April 2004 through July 2005. From September 2000 to March 2004, he was with Calpine's North American E&P and midstream group, serving as Vice President and Managing Counsel from May 2003. He served as Vice President, General Counsel and Secretary of Kosa B.V. from December 1998 until August 2000. Mr. Hickey has served as a director for RFX Legal, LLC, a private equity firm providing legal procurement services, since 2010. He holds a Bachelor of Arts degree in English and a Juris Doctorate, both from the University of Tennessee, and has been a practicing lawyer for more than 32 years.

**Stephen A. Coan**, age 58, has served as Vice President and Controller of Rosetta since November 2011. Prior to joining the Company, Mr. Coan was Director, Integration & Controls with Linn Energy. He served as Manager, Emerging Operations and Technical Finance for ConocoPhillips for four years. He spent 21 years with Burlington Resources Inc. and its predecessor Burlington Northern Inc. in positions of increasing responsibility, and was International Controller at the time of its acquisition by ConocoPhillips. He began his career in audit with Coopers & Lybrand. Mr. Coan holds a Bachelor of Science degree in Business Administration from Seattle University. He has more than 30 years of experience in all facets of financial and accounting management, including broad experience with domestic and international exploration and production companies.

**J. Chad Driskill**, age 47, has served as Vice President, Marketing and Business Development of Rosetta since July 2005. At Rosetta, Mr. Driskill is responsible for both physical and financial commodity marketing and trading. Prior to joining Rosetta in July 2005, Mr. Driskill spent 10 years holding a number of positions in energy trading, business development, and risk management at both Calpine Corporation and Calpine Energy Services. Prior to joining Calpine, Mr. Driskill spent 5 years at LFC Financial Corp. as Director of Gas Trading. Mr. Driskill has over 23 years of experience in the energy trading, oil and gas, and power generation industries. Mr. Driskill holds a Bachelor of Business Administration degree in Finance from Texas Tech University.

**Gerald L. Maxwell**, age 58, has served as the Vice President, Human Resources and Administration since April 2007. Mr. Maxwell joined the Company in May 2005 as an independent consultant. In November 2005, he became the General Manager of Human Resources, and in April 2007, he became Vice President of Human Resources. Previously, Mr. Maxwell was Vice President of Human Resources for several of El Paso Corporation's business units, both domestic and international. Prior to El Paso's acquisition of Tenneco Energy, he was director of human resources for Tenneco Energy. Mr. Maxwell has also held human resources positions at Quintana Petroleum, Anadarko Petroleum, Coastal Corporation, and with other companies in the financial industry. He holds dual Bachelor degrees in Management and Economics from Houston Baptist University, and has over 32 years of human resources experience in the energy industry.

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### **COMPENSATION DISCUSSION AND ANALYSIS**

#### **Overview of Compensation Philosophy**

Rosetta compensates its executive management using a mix of base salary, annual performance bonus and equity grants, with the objectives of attracting and retaining key executive officers critical to long-term success, compensating those executive officers fairly and competitively for responsibility and accomplishment, and aligning management's incentives with the long-term interests of Rosetta's stockholders. We believe that base salary levels should generally be set at the middle of Rosetta's competitive marketplace for comparable positions, and that total compensation that is above the middle of our marketplace should be based on strong company performance and achieved in the aggregate through the annual performance bonus program and through equity awards and stock price appreciation.

Our annual performance bonus program is designed to pay out based on Company performance in five areas, each of which is generally weighted equally to the others: production volumes, reserves added, finding costs, EBITDA, and expenses (lifting & operating and G&A) per unit produced. The Board may elect to modify the bonus pool that is developed from these five key metrics after consideration of other factors such as environmental, health and safety performance; sustainability (adding new inventory, developing new core areas, success in acquisitions and exploration); relative performance to peers; and ability to pay.

For executive management, a significant portion of total compensation is delivered using a combination of restricted stock and performance share units ( PSUs ) to ensure a focus on behaviors that improve total stockholder return over the long-term.

#### **The Compensation Process**

**The Role of the Compensation Committee of the Board of Directors.** The Compensation Committee of the Company's Board of Directors is required to be composed of at least two independent directors, and three independent directors currently serve on the Compensation Committee. As part of its stated purpose in its charter (which can be found in full on our website in the Corporate Governance section at [www.rosettaresources.com](http://www.rosettaresources.com)), the Compensation Committee is to assist the Board in discharging the Board's responsibilities regarding the compensation of the Company's Chief Executive Officer, the other executive officers and the Company's non-management directors. In regard to executive compensation, the Compensation Committee has the overall responsibility to:

Obtain information on market trends in executive compensation and review the competitiveness of the Company's executive compensation programs to encourage the attraction and retention of executive officers, the motivation of executive officers to achieve the Company's business objectives, and the alignment of the interests of executive officers with the long-term interests of the Company's stockholders; and

Review and approve the goals and objectives relevant to CEO and other executive officer compensation; evaluate CEO and executive officer performance in light of those goals and objectives, and, with input from other non-management directors on the Board as the Compensation Committee deems appropriate, determine and approve all compensation of the CEO and executive officers based on such evaluation.

Both the Chairman, CEO and President and the Vice President, Human Resources and Administration may advise the Compensation Committee in the discharge of these responsibilities by suggesting programs, practices, and specific actions affecting executive officers. However, the Chairman, CEO and President cannot advise the Compensation Committee with respect to his compensation, and the Vice President, Human Resources and Administration cannot advise the Compensation Committee with respect to his or the Chairman, CEO and President's compensation. Other executive officers do not play a part in the process of setting executive compensation.

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In 2011, the Compensation Committee met six times, met in executive session during four of those meetings, and did not act by unanimous written consent at any time during the year.

**Review of Compensation Philosophy and Determination of Targeted Overall Compensation.** To assist the Company in developing its compensation philosophy and in establishing targeted overall compensation (i.e., the aggregate level of compensation that we will pay to executives if performance goals are deemed to have been fully met), the Compensation Committee selects and engages an independent consultant to perform an annual study of the compensation of executive management at the Company and at comparable companies (the Peer Group ). Since 2010, the Compensation Committee has utilized the services of Pearl Meyer & Partners ( Pearl Meyer ) as its independent consultant for compensation for executives and non-management directors. After reviewing companies primarily focused on U.S. domestic onshore exploration and production, Pearl Meyer recommended to the Compensation Committee that 17 companies be included in the 2011 Peer Group based on factors that included revenues, geographic focus, similarity of business models, and skill requirements for executive positions. The selected Peer Group for 2011 was:

Berry Petroleum Co.

Bill Barrett Corp.

Brigham Exploration Co.

Cabot Oil & Gas Corp.

Carrizo Oil & Gas, Inc.

Comstock Resources, Inc.

Concho Resources Inc.

EXCO Resources Inc.

Goodrich Petroleum Corp.

GMX Resources, Inc.

Penn Virginia Corporation

Petroleum Development Corp.

Petroquest Energy, Inc.

Quicksilver Resources, Inc.

SM Energy Co.

Swift Energy Company

Venoco, Inc.

The Compensation Committee will regularly review and refine the Peer Group as appropriate, with input from its executive compensation consultant.

Compensation studies that are limited to a review of Peer Group proxy statements will cover in detail only those individuals for whom compensation information is disclosed publicly, which generally include only the five most highly compensated officers at each company. As a result, Pearl Meyer used additional data from other broad compensation surveys to more fully develop targeted overall compensation levels for all of the executive officers. The Compensation Committee does not review the identities of the individual companies or the individual that is

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included in these general compensation surveys.

Pearl Meyer was engaged independently by the Compensation Committee. Whether Pearl Meyer continues to provide consulting services in the area of executive compensation will be a decision reached independently by the Compensation Committee. Pearl Meyer performs no consulting services for the Company except in the area of executive and director compensation.

The Compensation Committee reviews annually the levels of each element of executive compensation and reviews and approves changes as necessary in line with the compensation philosophy.

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### Stockholder Say-on-Pay Votes

The Company provides its stockholders with the opportunity to cast an annual advisory vote on executive compensation (a Say-on-pay proposal). At the Company's annual meeting of stockholders held in May 2011, a substantial majority of the votes cast on the say-on-pay proposal were voted in favor of the proposal. The Compensation Committee believes that this affirms stockholders' support of the Company's approach to executive compensation, and did not change its approach as it made decisions for 2012. The Compensation Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for executive officers.

### Elements of Executive Compensation

After receiving the results of the Pearl Meyer study and reviewing the Company's compensation philosophy against the actual practices of the Peer Group, the Compensation Committee determined that the elements of targeted overall compensation for executive management should continue to include (1) base salary levels that are generally near the median of the Peer Group, (2) an annual bonus plan with payouts (if any) based on achievement of objectives approved by the Board, and (3) equity or equity-based awards that vest or are considered for vesting over a longer term.

**Base Salaries.** Rosetta seeks to provide its executive officers with assured cash compensation in the form of a base salary that is generally near the median for similar positions as determined through comparison to Peer Group proxies and independent compensation surveys as described above. Pearl Meyer determined that our executive base salaries were at approximately 96% of median for similar positions. The base salaries paid to top executive officers during 2011 are shown in the Summary Compensation Table under the Salary column. Effective January 1, 2012, the Compensation Committee approved increases to base salaries, and the current base salaries are set forth in the table below:

Named Executive Officers	Position	Salaries as of January 1, 2012
Randy L. Limbacher	Chairman, CEO and President	\$ 650,000
John E. Hagale	Executive Vice President, Chief Financial Officer, and Treasurer	\$ 300,000
John D. Clayton	Senior Vice President, Asset Development	\$ 300,000
James E. Craddock	Senior Vice President, Drilling and Production Operations	\$ 300,000
Michael H. Hickey	Vice President and General Counsel	\$ 260,000

With these and other changes to the salaries of executive officers not named in the proxy, our executives are expected to be at approximately 102.7% of our peer group median for comparable positions. The Compensation Committee expects to continue to review executive base salaries annually and to approve changes as appropriate.

**Incentive Bonus.** Incentive bonuses, considered for payment annually as cash compensation, ensure that the executive officers focus on the achievement of near-term goals that are approved by the Board. Bonuses may be earned if the Company achieves its objectives in key performance metrics as discussed below. Bonuses actually paid in 2012 as a result of 2011 performance are shown in the Summary Compensation Table under the Non-Equity Incentive Plan Compensation column.

Bonus targets as a percentage of base salary are generally set near the median for similar positions within the Peer Group. Bonus targets as a percentage of base salary for 2011 were 100% for the Chairman, CEO and President, 80% for the executive vice president, 70% for the senior vice presidents, and from 50% to 65% for the vice presidents. Bonus targets as a percentage of base salary for 2012 were increased to 80% for the senior vice presidents, but remain unchanged for other executive officers.

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Although the Company reserves the right to add or delete corporate performance metrics for the bonus plan in the future, the metrics for 2011 are shown below. For 2011, each metric carried an equal weighting to the others.

**Production Volumes** the average daily production of oil or its equivalent expressed in barrels. The 2011 target was 25.3 MBoe per day, and the Company achieved production of 27.6 MBoe per day.

**Reserves Added** the reserves of oil or its equivalent added in the year through finding and development activities or through acquisition, expressed in barrels. The 2011 target was 30.6 MMBoe, and the Company added 82.4 MMBoe excluding positive price-related revisions.

**Finding Costs** annual capital expenditures divided by annual reserves added, expressed in dollars per barrel or its equivalent. The 2011 target was \$11.76 per Boe, and the Company's actual finding costs were \$5.82 per Boe excluding positive price-related revisions.

**EBITDA** The 2011 target was \$283 million, and actual EBITDA was \$330 million.

**Expenses Per Unit** the sum of annual lifting & operating expenses plus general and administrative expenses, divided by total annual production, expressed in dollars per barrel or its equivalent. The 2011 target was \$6.65 per Boe. The actual expense per Boe was \$7.30.

The bonus payout for any executive officer is dependent on achievement of corporate objectives as described above. The Compensation Committee may exercise positive or negative discretion beyond the stated objectives when it considers that discretion to be warranted either for the pool as a whole or the award for any individual. Without limiting the Compensation Committee's ability to exercise positive or negative discretion for any sound business reason, the Compensation Committee has determined that several specific factors could be considered in its decision as to whether or not to modify the payouts that are calculated as a result of the five key performance metrics. These specific factors include environmental, health & safety performance; performance in sustainability (adding new inventory, acquisitions, and exploration success); relative performance against the Peer Group; and ability to pay. The Company believes that it is reasonable to expect performance warranting a full payout of the pool.

The Company's performance in 2011 against the metrics shown above was well above target in the aggregate, and the Compensation Committee approved bonus payouts for the executives averaging 170% of target, reflecting (1) a continuing improvement in sustainability with our position in the South Texas Eagle Ford trend, (2) performance at the top of our peer group in 3-year total stockholder returns against our peers, and (3) top-quartile performance in 1-year total stockholder returns against our peers. The 2011 bonuses that were paid in March 2012 are reflected in the Summary Compensation Table under Non-Equity Incentive Plan Compensation.

**Equity Grants.** Delivering a substantial portion of each executive's compensation in the form of equity grants that vest over a longer term seeks to ensure that our executive officers focus on long-term value creation to align the executive's interests with those of our stockholders. The executive compensation studies performed by Pearl Meyer in 2010 and 2011 reflected the value of equity grants as a percentage of base salary for similar positions at the Company's competitors, and the Compensation Committee and the Board approved equity grants such that targeted total compensation (base salary, target incentive bonus, and equity) remained in parity with similar executive positions within our Peer Group. Those grants were subsequently made in January 2011 and January 2012, respectively. All equity grants have been made pursuant to the Rosetta Resources Inc. Amended and Restated 2005 Long-term Incentive Plan.

In both 2010 and 2011, the Compensation Committee determined that this equity value would be granted in a mix of restricted stock and PSUs in January 2011 and January 2012, respectively. The Compensation Committee believes that granting time-vested restricted stock will encourage the executive officers to adopt a view towards long-term value while providing a retention incentive even in the event of a decline in the stock

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price, and that granting PSUs that are considered for vesting if certain performance goals are met will ensure a focus on long-term total stockholder return. All restricted stock granted in 2011 and 2012 is time-vested, with 25% vesting one year from the date of grant, an additional 25% after two years, and the remaining 50% after three years if the recipient remains employed by the Company as of those dates. The 2011 and 2012 PSUs will be considered for cliff vesting by the Compensation Committee after the end of a three-year performance period based on performance against four metrics that have demonstrated strong correlations to long-term total stockholder return: (1) production per share growth, (2) reserves per share growth, (3) risked probable/possible inventory as a multiple of proved reserves, and (4) control of both cash costs and proved developed finding & development costs. Specific numerical goals have been set for each of these metrics, but we do not plan to publish this sensitive proprietary information until the end of the applicable performance period when it has been determined whether or not the goals have been achieved, as we believe that such disclosure places us at a competitive disadvantage. After considering performance against these metrics at the end of the three-year period, and considering other factors that it deems appropriate such as total stockholder return, the Compensation Committee, in its sole discretion, may choose to vest from 0% - 200% of the PSUs. The Compensation Committee believes that it is important to retain positive or negative discretion beyond the stated metrics to ensure that they have the ability to weigh the effect of unexpected events as they consider payout of the program.

PSUs were first granted to the executives in 2009, and the three-year vesting period for those grants ended on December 31, 2011. The Compensation Committee chose to vest those grants at 200% after considering the Company's strong performance against the 2009 metrics across the three-year time horizon, and the fact that the Company's total stockholder return of 514% during the three-year measurement period has been at the top of its peer group. The actual performance against the 2009 metrics is shown in the table below:

Metric	Goal	Actual Performance
Reserves per Share (Mcfe)	9.7	18.5
Inventory/Proved Reserves Multiple	2.0	2.6
Percentage Change in Cash Flow Multiple	Higher Percentage	+703% vs.
	Change than the S&P 400	+129% for
	Oil & Gas E&P Index	Index

No equity grants have been timed to coincide with or to precede the release of material information, and because the Compensation Committee must approve all grants for executive officers, we believe adequate controls exist to prevent such timed grants. Although we have not granted stock options to executive officers since 2009, grant prices for non-qualified stock options were all set at the fair market value (average of the high and low trades) on the date of grant, no options have been re-priced.

In establishing award levels, the Compensation Committee generally does not consider the equity ownership levels of the recipients or prior awards that are fully vested. The Company has implemented requirements that each executive officer hold a specific minimum level of stock, and these requirements, which were modified in December 2011, are set forth in the Officers Stock Ownership Guidelines, available in the Corporate Governance section of our website at [www.rosettaresources.com](http://www.rosettaresources.com). The requirements are as follows: Chairman, CEO and President six times annual base salary, Executive Vice President and Senior Vice Presidents three times annual base salary, and Vice Presidents one times annual base salary. Stock that counts towards satisfaction of this requirement includes stock owned, whether directly or in street name; stock held beneficially; unvested restricted stock; and vested stock options. Executive officers have five years from the date of their appointment to their current position to meet the requirement. For purposes of this guideline, the value of the stock will be deemed to be the greater of the price at acquisition or at current market value. All of Rosetta's executive officers are in compliance with the requirements.



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**Actions Taken Affecting Each Element.** Utilizing annualized base salaries as of January 1, 2012, full-target bonuses for 2012, and restricted stock and PSUs that were granted effective in January 2012 (assuming full vesting at fair market value of Rosetta common stock on the date of grant), the Compensation Committee has allocated the compensation components for executive officers as follows:

Position	Base Salary	Bonus	Equity
Chairman, CEO and President	20%	20%	60%
Executive/Senior Vice Presidents	22%	18%	60%
Vice Presidents	35%	19%	46%

**Employee Benefits and Perquisites.** In addition to the main elements of compensation previously discussed in this section, the executive officers are eligible for the same welfare and defined benefits as are available to all employees, which include medical and dental insurance, short and long-term disability insurance, life and accidental death insurance each with a face value of \$50,000, and a 401(k) plan which currently provides a dollar-for-dollar match on the first 6% of eligible employee contributions. The Company has no other pension plan or deferred compensation arrangement for the executive officers at this time. Like other employees, each executive may park in Rosetta's building or other available parking space at no cost, although the executive officers have reserved spaces. In addition to these all-employee benefits, executive officers may utilize two other benefits. First, the Company may pay monthly luncheon club membership dues (but not personal usage expenses) for the Chairman, CEO and President and for the Executive Vice President. This allows these executives to make business contacts outside the reach of the Company and to have a place to entertain corporate clients. Second, to ensure that the executive leadership is given every opportunity to identify and correct medical issues that may affect their work, the Company provides for an annual physical examination for executive officers at the Company's expense.

The general benefits offered to all employees, including the executive officers, are reviewed and may be adjusted each year.

**Employment Agreements and Other Executive Severance and Change-in-Control Arrangements.** The Company has entered into a written employment agreement with each of the named executive officers who were employed as executive officers prior to January 2008 (Messrs. Limbacher, Rosinski and Hickey). These employment agreements describe how the employment relationship may be extended or terminated and what benefits are to be paid in the event of termination of employment, and outline the executive's post-employment obligations. Mr. Rosinski's tenure as chief financial officer ended on November 8, 2011, and the employment agreement with Mr. Rosinski ended with his termination of employment on December 31, 2011. The Company paid severance according to provisions of the agreement governing a termination for reasons other than cause. Specifically, Mr. Rosinski received or will receive two years of base salary, two years of bonus at target, accelerated vesting of his stock grants, and will be paid at the time of vesting for a prorated portion of his PSU grants.

The Board determined in 2008 that it would end the practice of entering into written employment agreements with executive officers and instead adopted the Rosetta Resources Inc. Executive Severance Plan (the Severance Plan) and the Rosetta Resources Inc. Executive Change-in-Control Plan (the 2008 Change-in-Control Plan). The Severance Plan covers executive officers hired since 2008 who are not covered by an individual written employment agreement (Messrs. Clayton and Craddock), and describes how the employment relationship may be terminated and what benefits are to be paid in the event of termination of employment. The 2008 Change-in-Control Plan covers executive officers hired in 2008 who are not covered by an individual written employment agreement (Messrs. Clayton and Craddock), and describes how the employment relationship may be terminated following a change in control (as defined in the 2008 Change-in-Control Plan) and what benefits are to be paid in the event of termination of employment following a change in control.

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In 2009, the Board adopted the Rosetta Resources Inc. 2009 Change-In-Control Plan for Executive Officers (the 2009 Change-in-Control Plan ), which covers executive officers hired in 2009 and beyond who are not covered by an individual written employment agreement. The principal difference between the 2009 Change-in-Control Plan (which currently covers Mr. Hagale and one other executive officer hired in 2011) and the 2008 Change-in-Control Plan described above (which covers Messrs. Clayton and Craddock) is that the 2009 Change-In-Control Plan does not provide for any excise tax gross-up in the event of a termination of employment following a change in control.

Additional information regarding the benefits to be paid in the event of termination is provided in the Severance Benefits and Change-in-Control Benefits sections below.

## **Tax Considerations**

**Deductibility Cap on Executive Compensation.** Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code ), places a limit of \$1 million on the amount of compensation that may be deducted by the Company in any year with respect to each of the executive officers, with the exception of the Chief Financial Officer. However, performance-based compensation, as defined in Section 162(m) of the Code, is fully deductible if the programs are approved by stockholders and meet other requirements.

To maintain flexibility in compensating the executive officers in a manner designed to promote varying corporate goals, the Compensation Committee has not adopted a policy that all compensation must be deductible. We may make payments that are not fully deductible if we believe that such payments are necessary to achieve corporate objectives and to protect stockholder interests. In 2011, total compensation paid to each of the named executive officers, other than for Mr. Hagale, exceeded the deductibility limit, and was thus subject to the Code s Section 162(m) limitations.

**Gross-Ups.** Under their employment agreements (for executive officers covered by an employment agreement), or under the 2008 Change-in-Control Plan (for Messrs. Clayton and Craddock), if benefits to which the executive officers become entitled are considered excess parachute payments under Section 280G of the Code, then each affected executive officer would be entitled to an additional gross-up payment from the Company. This payment would be in an amount such that, after payment by the executive officer of all taxes including any excise tax imposed upon the gross-up payment, the executive officer would retain an amount equal to the excise tax imposed upon the payment.

Since 2008, gross-up provisions as described above have been subjected to an increasing level of criticism from some external reviewers. The Compensation Committee acknowledged this criticism and implemented a new plan providing for change-in-control benefits to executive officers hired in 2009. The 2009 Change-In-Control Plan does not include excise-tax gross-up protections. While changing its position for executive officers hired since 2009 and, in the expectation of the Compensation Committee, for the foreseeable future, the Compensation Committee does not believe that it is in the best interests of Rosetta s stockholders to incur either the expense or the loss of goodwill that would result from voiding the commitments that were made and in good faith accepted by executive officers in this regard from 2005 to 2008.

## **Severance Benefits**

To ensure the continued focus of our executives on the business, and to minimize uncertainty and distraction that may result from an at-will employment relationship, the Compensation Committee has determined that it is important to provide termination benefits for executive officers. These termination benefits are stated in each executive officer s employment agreement (as applicable) or in the Severance Plan and reflect the fact that it may be difficult for executive officers to find comparable employment within a short period of time.

If the Company should choose not to renew an employment agreement at its expiration, if the Company terminates the employment of the executive officer for reasons other than cause, or if the executive officer terminates employment for good reason, then the executive officer would be paid a multiple of base salary and

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target bonus and would become immediately vested in any unvested equity grants. As of December 31, 2011, in these circumstances, the Chairman, CEO and President would be paid three times his then-current base salary and target bonus, the executive vice president would be paid two times his then-current base salary and target bonus, and each of the other executive officers would be paid his then-current base salary and target bonus. As of January 1, 2012, the multiple for the senior vice presidents was increased to two.

In general, the definition of "cause" in each employment agreement and in the Severance Plan, is (i) a breach of duty by the executive in the course of such executive's employment involving fraud, acts of dishonesty (other than inadvertent acts or omissions), disloyalty to Rosetta or its affiliates, or moral turpitude constituting criminal felony; (ii) conduct by the executive that is materially detrimental to Rosetta, monetarily or otherwise, or reflects unfavorably on Rosetta or the executive to such an extent that Rosetta's best interests reasonably require the termination of the executive's employment; (iii) acts or omissions of the executive materially in violation of executive's obligations under the individual employment agreement or at law; (iv) the executive's failure to comply with or enforce Rosetta's policies concerning equal employment opportunity, including engaging in sexually or otherwise harassing conduct; (v) the executive's repeated insubordination; (vi) the executive's failure to comply with or enforce, in any material respect, all other personnel policies of Rosetta or its affiliates; (vii) the executive's failure to devote his or her full working time and best efforts to the performance of his or her responsibilities to Rosetta or its affiliates; (viii) the executive's conviction of, or entry of a plea agreement or consent decree or similar arrangement with respect to a felony or any violation of federal or state securities laws; or (ix) the executive's failure to cooperate with any investigation or inquiry authorized by the Board or conducted by a governmental authority related to the business or the executive's conduct.

In general, the definition of "good reason" in each employment agreement is (i) any demotion of executive as evidenced by a material diminution in the executive's responsibilities or duties; (ii) a material diminution in the executive's base compensation; (iii) any permanent relocation of the executive's place of business to a location 50 miles or more from the then-current location, provided such relocation is a material change in geographic location at which the executive must provide services for purposes of Section 409A of the Code; or (iv) any other action or inaction by Rosetta that constitutes a material breach by Rosetta of its obligations under the agreement. In general, the definition of "good reason" in the Severance Plan is (i) any reduction of the multiple or percentage applicable to an executive in the event of a qualifying termination under the Severance Plan, (ii) a material diminution in the executive's base compensation; or (iii) any permanent relocation of the executive's place of business to a location 50 miles or more from the then-current location, provided such relocation is a material change in geographic location at which the executive must provide substantial services for purposes of Section 409A of the Code.

Based upon a hypothetical termination as of December 31, 2011, the severance benefits for the named executive officers for the reasons stated above would have been as follows:

Name (1)	Separation Payment to Executive on 12/31/11 (2)	Hypothetical Value to Executive of Accelerated Vesting of Equity Awards as of 12/31/11 (3)	Total Cost of Hypothetical Separation Event as of 12/31/11
Randy L. Limbacher, Chairman, CEO and President (PEO)	\$ 3,750,000	\$ 7,407,806	\$ 11,157,806
John E. Hagale, Executive Vice President, Chief Financial Officer and Treasurer (PFO) (2)	\$ 1,080,000	\$ 608,493	\$ 1,688,493
John D. Clayton, Senior Vice President, Asset Development (NEO)	\$ 901,000	\$ 2,322,724	\$ 3,223,724
James E. Craddock, Senior Vice President, Drilling and Production Operations (NEO)	\$ 901,000	\$ 2,322,724	\$ 3,223,724
Michael H. Hickey, Vice President and General Counsel (NEO)	\$ 429,000	\$ 1,998,530	\$ 2,427,530

(1) For this and subsequent tables, "PEO" is an acronym for Principal Executive Officer, "PFO" for Principal Financial Officer and "NEO" for Named Executive Officer.

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- (2) This column includes a multiple of base salary and bonus as described in the employment agreement (as applicable), or in the Severance Plan. Severance benefits pursuant to employment agreements for Messrs. Limbacher and Hickey would be paid out over time. Severance benefits payable to Messrs. Hagale, Clayton and Craddock under the Severance Plan would be paid in a lump sum upon termination.
- (3) This column represents the value that would have been received by the executive officer as a result of a termination on December 31, 2011 using a fair market value of \$43.745 to determine the value of shares of restricted stock and the gains on stock options. PSUs may be considered for vesting by the Compensation Committee at the time of these hypothetical terminations, but because the Compensation Committee may exercise its discretion in the amount to be vested, the value of these units is not included in this table. The requirements for reporting the information in this table do not take into account expenses that have already been incurred to deliver the equity component of compensation to the named executive officers. The incremental expense to the Company of accelerating the vesting of equity awards using the Company's unamortized costs of the grants as of December 31, 2011 would have been as follows: Mr. Limbacher, \$1,137,638; Mr. Hagale, \$556,445; Mr. Clayton, \$381,572; Mr. Craddock, \$381,572; Mr. Hickey, \$245,135.

**Change-in-Control Benefits**

The Compensation Committee has determined that the interests of stockholders are best served if we provide change-in-control benefits to eliminate, or at least reduce, the reluctance of executive officers to pursue potential corporate transactions that may be in the best interests of stockholders, but that may have resulting adverse consequences to the executive officers' employment. These change-in-control benefits apply when (i) the affected executive officer's employment is terminated, or the executive officer resigns for good cause; and (ii) either of the preceding actions occurs within the two-year period following a corporate change. This double-trigger provision ensures that these benefits would be payable only in the dual events of a corporate change and an adverse effect on the executive officer's employment. Also, these benefits are not in addition to the severance benefits described above—the executive officer cannot simultaneously be eligible for both.

For purposes of this section, a corporate change is defined as (i) the dissolution or liquidation of the Company; (ii) a reorganization, merger or consolidation of the Company with one or more corporations (other than a merger or consolidation effecting a reincorporation of the Company in another state or any other merger or consolidation in which the stockholders of the surviving corporation and their proportionate interests therein immediately after the merger or consolidation are substantially identical to the stockholders of the Company and their proportionate interests therein immediately prior to the merger or consolidation) (collectively, a corporate change merger); (iii) the sale of all or substantially all of the assets of the Company or an affiliate (as defined in the Amended and Restated Rosetta Resources Inc. 2005 Long-Term Incentive Plan); or (iv) the occurrence of a change in control. A change in control shall be deemed to have occurred if (a) individuals who were directors of the Company immediately prior to a control transaction cease within two years of such control transaction to constitute a majority of the Board of Directors of the Company (or of the Board of Directors of any successor to the Company or to a Company which has acquired all or substantially all its assets) other than by reason of an increase in the size of the membership of the applicable Board that is approved by at least a majority of the individuals who were directors of the Company immediately prior to such control transaction or (b) any entity, person or group acquires shares of the Company in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 50% or more of the outstanding shares of the Company's common stock. As used above, a control transaction means (A) any tender offer for or acquisition of capital stock of the Company pursuant to which any person, entity, or group directly or indirectly acquires beneficial ownership of 20% or more of the outstanding shares of common stock; (B) any corporate change merger of the Company; (C) any contested election of directors of the Company; or (D) any combination of the foregoing, any one of which results in a change in voting power sufficient to elect a majority of the Board of Directors of the Company.

If both events warranting the change-in-control payment occur, the affected executive will be paid a multiple of base salary and target bonus and will become immediately vested in any unvested equity awards,

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including outstanding PSUs at target. In such a circumstance, the Chairman, CEO and President would be paid three times his then-current base salary and target bonus, and each of the other executive officers would be paid two times his or her then-current base salary and target bonus. The cash components of any change-in-control benefits will be paid in a lump sum and the Company will also reimburse the cost of continuing health insurance for up to 18 months for the Chairman, CEO and President, and for up to 12 months for the other executive officers. Because of the tax on so-called parachute payments imposed by Section 4999 of the Code, the Company has agreed to reimburse all officers employed during or prior to 2008 for any excise taxes imposed as a result of a payment of change-in-control benefits and to gross up those tax payments to keep the officer whole.

The table below illustrates the change-in-control termination benefits for the named executive officers based upon a hypothetical termination from a change-in-control event as of December 31, 2011:

Name	Hypothetical Change-in-Control Separation Payment to Executive on 12/31/11	Hypothetical Value to Executive of Accelerated Vesting of Equity Awards as of 12/31/11 (1)	Hypothetical Cost of Payments of 280G Excise Tax and Tax Gross-Up	Hypothetical Cost of Medical Insurance Reimbursement	Total Cost of Hypothetical Change-in-Control Separation Event as of 12/31/11
Randy L. Limbacher, Chairman, CEO and President (PEO)	\$ 3,750,000	\$ 10,392,877	\$ 2,898,258	\$ 17,776	\$ 17,058,911
John E. Hagale, Executive Vice President, Chief Financial Officer and Treasurer (PFO)	\$ 1,080,000	\$ 1,216,986	\$ 0	\$ 0	\$ 2,296,986
John D. Clayton, Senior Vice President, Asset Development (NEO)	\$ 901,000	\$ 3,253,224	\$ 903,720	\$ 15,426	\$ 5,073,370
James E. Craddock, Senior Vice President, Drilling and Production Operations (NEO)	\$ 901,000	\$ 3,490,672	\$ 883,701	\$ 11,850	\$ 5,287,223
Michael H. Hickey, Vice President and General Counsel (NEO)	\$ 858,000	\$ 2,979,512	\$ 0	\$ 24,256	\$ 3,861,768

- (1) This column represents the value that would have been received by the executive officer as a result of a termination on December 31, 2011 using a fair market value of \$43.745 to determine the value of shares of restricted stock and of PSUs, and the gains on stock options. The requirements for reporting the information in this table do not take into account expenses that have already been incurred to deliver the equity component of compensation to the executives. The actual cost to the Company of accelerating the vesting of equity awards using the Company's unamortized costs of the grants as of December 31, 2011 would have been as follows: Mr. Limbacher, \$2,894,492; Mr. Hagale, \$1,131,105; Mr. Clayton, \$925,169; Mr. Craddock, \$925,169; and Mr. Hickey, \$666,619.

**Table of Contents****EXECUTIVE COMPENSATION****SUMMARY COMPENSATION TABLE**

The following table sets forth the compensation earned by the PEO, PFO and other NEOs for services rendered to the Company and its subsidiaries for the fiscal years ended December 31, 2011, 2010 and 2009.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-qualified Deferred Compensation Earnings	All Other Compensation	Total
		(1)		(2)	(3)	(4)	(5)		
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Randy L. Limbacher, Chairman, CEO and President (PEO)	2011	625,000	0	1,975,880	0	1,062,500	0	31,875	3,695,255
	2010	625,000	0	2,806,363	0	745,000	0	36,621	4,212,984
	2009	625,000	0	2,404,188	321,348	800,000	0	42,596	4,193,132
John E. Hagale, Executive Vice President, Chief Financial Officer and Treasurer (PFO)	2011	300,000	0	1,177,342	0	68,000	0	762	1,546,104
John D. Clayton, Senior Vice President, Asset Development (NEO)	2011	265,000	0	804,262	0	315,350	0	32,321	1,416,933
	2010	250,000	0	660,354	0	215,000	0	31,753	1,157,107
	2009	250,000	0	353,224	116,641	200,000	0	31,113	950,978
James E. Craddock, Senior Vice President, Drilling and Production Operations (NEO)	2011	265,000	0	804,262	0	315,350	0	33,916	1,418,528
	2010	250,000	0	660,354	0	215,000	0	29,101	1,154,455
Michael H. Hickey, Vice President and General Counsel (NEO)	2009	250,000	0	353,224	116,641	200,000	0	32,011	951,876
	2011	260,000	0	486,008	0	287,300	0	39,530	1,072,838
	2010	250,000	0	484,265	0	200,000	0	38,170	972,435
Michael J. Rosinski, Executive Vice President, Chief Financial Officer and Treasurer(5)	2009	250,000	0	353,224	116,641	182,000	0	38,105	939,970
	2011	385,000	0	806,086	0	0	0	32,037	1,121,923
	2010	270,000	0	742,868	0	250,000	0	30,918	1,293,786
	2009	270,000	0	544,373	179,763	226,800	0	33,179	1,254,115

(1) Reflects annualized base salaries paid to listed named executive officers.

(2) Represents the total amount of the grant date fair value for restricted shares and PSUs awarded in 2009, 2010 and 2011 in accordance with valuation methodology in FASB ASC Topic 718. See the Grants of Plan-Based Awards table herein for information on awards of restricted stock and PSUs made in fiscal year 2011. These amounts do not necessarily correspond to the actual value that will be recognized by the listed named executive officers. PSUs may be vested at up to 200% at the discretion of the Compensation Committee.

(3) Represents the total amount of the grant date fair value for stock options awarded in 2009 in accordance with FASB ASC Topic 718. These amounts do not necessarily correspond to the actual value that will be recognized by the listed executives.

(4) For 2011, the aggregate amount of All Other Compensation includes expenses for welfare benefits (medical, dental, long-term disability, and basic life insurance), 401(k) match, employee parking, and miscellaneous items for each executive officer. For Messrs. Limbacher and Rosinski, the aggregate amount includes reimbursement of monthly club dues. No single element of All Other Compensation exceeds the greater of \$25,000 or 10% of the total for that executive, and as such the elements are not individually quantified. No tax gross-ups are provided for any perquisites.



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- (5) Mr. Rosinski's employment with the Company ended on December 31, 2011, but he is included in this and subsequent tables because his position for most of 2011 as the Principal Financial Officer. Notwithstanding compensation levels, his replacement, Mr. Hagale, is shown in this and subsequent tables because he was the Principal Financial Officer at the end of 2011.



**Table of Contents****GRANTS OF PLAN-BASED AWARDS**

The following table discloses the actual numbers of shares of restricted stock and PSUs granted during 2011 and the grant date fair value of these awards. It also captures potential future payouts under the Company's non-equity and equity incentive plans.

**2011 GRANTS OF PLAN-BASED AWARDS TABLE**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards (3)			All Other Stock Awards; Number of Shares of Stock or Units	All Other Option Awards; Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		Threshold	Target	Maximum	Threshold	Target	Maximum				
		(1)	(2)	(1)	(#)	(#)	(#)	(#)	(#)	(\$/share)	(\$)
Randy L. Limbacher, Chairman, CEO and President (PEO)	1/4/11	0	625,000	0	0	25,995	51,990	25,995	0	0	987,940
John E. Hagale, Executive Vice President, Chief Financial Officer and Treasurer (PFO)	10/24/11	0	45,370	0	0	13,910	27,820	13,910	0	0	588,671
John D. Clayton, Senior Vice President, Asset Development (NEO)	1/4/11	0	185,500	0	0	10,581	21,162	10,581	0	0	402,131
James E. Craddock, Senior Vice President, Drilling and Production Operations (NEO)	1/4/11	0	185,500	0	0	10,581	21,162	10,581	0	0	402,131
Michael H. Hickey, Vice President and General Counsel (NEO)	1/4/11	0	169,000	0	0	6,394	12,788	6,394	0	0	243,004
Michael J. Rosinski, Executive Vice President, Chief Financial Officer and Treasurer	1/4/11	0	213,750	0	0	10,605	21,210	10,605	0	0	403,043

(1) The Non-Equity Incentive Plan has neither a threshold nor a maximum.

(2) Target awards for 2011 performance are calculated using base salaries as of December 31, 2011.

(3) Represents PSUs. PSUs will be considered by the Compensation Committee for vesting as of December 31, 2013, and the Compensation Committee may elect to vest from 0-200% of the PSUs granted.

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- (4) Restrictions will be lifted as to 25% of these shares on the first anniversary of the date of grant, 25% on the second anniversary of the date of grant, and the remaining 50% on the third anniversary of the date of grant, assuming that the named executive officer remains employed by Rosetta or an affiliate on those dates.

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Represents the dollar amount of the grant date fair value for restricted stock and PSUs, recognized in accordance with FASB ASC Topic 718. The fair value of restricted stock awards and PSUs was calculated using \$38.005, which was the fair market value of our common stock (the average of the high and low trading prices) on January 4, 2011, the date of award for all named executive officers other than Mr. Hagale. For Mr. Hagale's awards, a fair value of \$42.32 was used, which was the fair market value of our common stock (the average of the high and low trading prices) on November 1, 2011, the date the awards were actually granted. For a discussion of valuation assumptions, see Note 12 to the Company's 2011 Consolidated Financial Statements included in the Company's annual report on Form 10-K for the year ended December 31, 2011. The value of the PSUs assumes vesting at target.

**2011 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table shows outstanding stock option awards classified as exercisable and unexercisable as of December 31, 2011 for the PEO, PFO and other NEOs. The table also shows unvested and unearned stock awards (both time-based awards and performance-contingent).

Name	Option Awards (1)					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
	Number of Securities Underlying Unexercised Options- Exercisable (#)	Number of Securities Underlying Unexercised Options- Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	
Randy L. Limbacher, Chairman, CEO and President (PEO)	47,750	47,750	0	7.355	1/2/19	129,619	5,670,183	316,871	13,861,522
John E. Hagale, Executive Vice President, Chief Financial Officer and Treasurer (PFO)	102,100	0	0	18.61	11/1/17				
John D. Clayton, Senior Vice President, Asset Development (NEO)	17,332	17,332	0	7.355	1/2/19	38,679	1,692,013	42,707	1,868,218
James E. Craddock, Senior Vice President, Drilling and Production Operations (NEO)	18,000	0	0	21.39	5/1/18				
Michael H. Hickey, Vice President and General Counsel (NEO)	17,332	17,332	0	7.355	1/2/19	31,268	1,367,819	34,222	1,497,041
Michael J. Rosinski, Executive Vice President, Chief Financial Officer and Treasurer	18,000	0	0	17.775	2/1/18				
		26,712	0	7.355	1/2/19	48,876	2,138,081	53,408	2,336,333

- (1) No options have been transferred.

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- (2) Market value of restricted stock and PSUs reflects a per share price of \$43.745, which was the fair market value on December 30, 2011.
- (3) PSUs may be vested from 0-200% at the sole discretion of the Compensation Committee at the end of a three-year period based on achievement of stated performance metrics. PSUs that vest may be settled in cash or stock; if settlement is in cash, vested units will be valued at the fair market value on the last trading day of the performance period. The value of the PSUs assumes vesting at target.
- (4) On January 2, 2012, the remainder of these options vested.

**OPTION EXERCISES AND STOCK VESTED TABLE**

The following table sets forth certain information regarding options and stock awards exercised and vested, respectively, during 2011 for the PEO, PFO and other NEOs.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (1) (\$)	Number of Shares Acquired on Vesting (2) (#)	Value Realized on Vesting (3) (\$)
Randy L. Limbacher, Chairman, CEO and President (PEO)	0	0	109,075	4,322,480
John E. Hagale, Executive Vice President, Chief Financial Officer and Treasurer (PFO)	0	0	0	0
John D. Clayton, Senior Vice President, Asset Development (NEO)	0	0	18,033	744,154
James E. Craddock, Senior Vice President, Drilling and Production Operations (NEO)	0	0	18,033	728,974
Michael H. Hickey, Vice President and General Counsel (NEO)	0	0	16,959	656,267
Michael J. Rosinski, Executive Vice President, Chief Financial Officer and Treasurer	0	4,188,642	25,619	990,724

- (1) Reflects gain on the exercise of options (difference between grant price and exercise price), before tax withholding.
- (2) Shares acquired from vesting of grants in 2011.
- (3) Reflects value of shares acquired at fair market value on the date of vesting.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

For a discussion and identification of amounts payable to our PEO, PFO and other NEOs upon termination of employment (either following or not following a change in control), assuming a termination date of December 31, 2011, please see the discussion of severance and change-in-control benefits above under Compensation Discussion and Analysis Severance Benefits and Compensation Discussion and Analysis Change-in-Control Benefits.

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**COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management, and based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

*This report of the Compensation Committee of the Board of Directors shall not be deemed to be soliciting material or to be filed with the SEC or subject to the SEC's proxy rules, except for the required disclosure in this Proxy Statement, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the Company specifically incorporates by reference into any filing made by the Company under the Securities Act of 1933 or the Exchange Act.*

COMPENSATION COMMITTEE

Donald D. Patteson, Jr., Chairman

Philip L. Frederickson

Josiah O. Low III

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**PROPOSAL 2**

**ADVISORY (NON-BINDING) VOTE APPROVING EXECUTIVE COMPENSATION**

The Board of Directors of the Company is committed to excellence in governance. As part of that commitment, and as required by Section 14A(a)(1) of the Exchange Act, the Board of Directors is providing the Company's stockholders with an opportunity to provide an advisory vote related to executive compensation.

As part of its responsibilities, the Compensation Committee assists the Board in establishing the compensation of the Company's CEO and other executive officers. Additional information regarding the Compensation Committee and its role is described in the Compensation Discussion and Analysis section of this Proxy Statement and the related tables and narrative disclosure. Consistent with the Company's compensation philosophy, our executive compensation program has been designed to attract and retain key executive officers critical to long-term success and to compensate those individuals fairly and competitively for responsibility and accomplishment. Additionally, the compensation program is designed to align management's incentives with the long-term interests of the Company's stockholders.

To that end, the Company compensates its executive officers using a mix of base salary, annual performance bonus and equity grants, with equity grants representing a majority of the compensation for the named executive officers. Specifically, of the total compensation paid or granted to the named executive officers in 2011, approximately 60% was in equity, approximately 21% was in base salary, and approximately 19% was in bonus. We firmly believe that these compensation programs have aligned the decisions of the executives with the interests of the stockholders, and point to our total stockholder return against our peers as evidence of this. For the three-year period ending December 31, 2011, Rosetta's total stockholder return was 514%, placing us at the top of our peers in the exploration and production industry by a wide margin.

The Compensation Committee continually reviews best practices in executive compensation and governance. In observance of such best practices, the Company:

no longer enters into employment agreements with executive officers;

does not provide perquisites to the CEO and other NEOs (unless generally available to all employees and other than the payment of monthly lunch club membership dues for the CEO and Executive Vice President and of annual physical examinations for executive officers);

with respect to executive officers hired since 2009, does not provide for any tax gross-ups for executive officers in the event of a change in control;

has an incentive plan that discourages undue risk and aligns executive rewards with short, medium, and long-term Company performance; and

encourages executives to have a meaningful ownership interest in the Company through its stock ownership guidelines.

For the reasons discussed above, we are asking stockholders to approve the following advisory resolution at the 2012 Annual Meeting of Stockholders:

RESOLVED, that the stockholders of Rosetta Resources Inc. (the Company) approve, on an advisory basis, the compensation of the Company's named executive officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the other related compensation tables, notes and narrative in the Proxy Statement for the Company's 2012 Annual Meeting of Stockholders.

This advisory resolution, commonly referred to as a say-on-pay resolution, is non-binding on the Board. Although non-binding, the Board and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program.

**The Board unanimously recommends that you vote FOR the approval of the advisory resolution on executive compensation.**



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**INFORMATION CONCERNING THE BOARD OF DIRECTORS**

**Compensation of Directors**

Annually, the Compensation Committee engages an independent consultant to conduct a study of compensation for non-management directors to ensure that our directors are being paid fairly and equitably, and that their mix of cash and equity compensation is appropriate to ensure alignment of incentives with those of our stockholders. In August 2011, the Compensation Committee selected Pearl Meyer to conduct this study and to recommend any changes necessary to achieve these goals. The Pearl Meyer study in 2011 determined that our directors were below the median within our Peer Group (see Compensation Discussion and Analysis section of this Proxy Statement for a list of those peer companies). The Compensation Committee recommended to the Board that changes to the compensation structure for non-management directors be implemented effective with the 2012 Annual Meeting of Stockholders, and the Board resolved to implement the recommended changes, which are outlined below.

We pay each of the non-employee directors an annual cash retainer which is currently set at \$70,000. The cash retainer will increase to \$75,000 effective with elections at the 2012 Annual Meeting of Stockholders. In addition, the lead independent director is currently paid an annual retainer of \$10,000, the Chairman of the Audit Committee is currently paid an annual retainer of \$15,000, the Chairman of the Compensation Committee is currently paid an annual retainer of \$10,000, and the Chairman of the Nominating and Corporate Governance Committee is currently paid an annual retainer of \$7,500. Effective with elections at the 2012 Annual Meeting of Stockholders, the annual retainer for the lead independent director and the Chairman of the Nominating and Corporate Governance Committee will be increased to \$15,000, and \$8,750, respectively, while all other chairperson retainers will remain unchanged. We reimburse all directors for reasonable expenses incurred while attending Board and committee meetings. Directors may take an annual physical examination at the Company's expense.

Any non-employee director may elect to receive a grant of shares of the Company's common stock in lieu of all or any portion of the annual retainer fees. The number of shares is determined by dividing the fee amount by the fair market value (the average of the high and low trading price) of the common stock on the day of the Annual Meeting of Stockholders.

Upon re-election to the Board at the 2011 Annual Meeting of Stockholders, each director received a grant of restricted stock, the number of shares of which were determined by dividing \$110,000 by the average of the fair market value of a share of Rosetta common stock for the 30 trading days immediately preceding the Annual Meeting of Stockholders, then rounded up to the next whole share. The dollar value of this grant will increase to \$120,000 at the 2012 Annual Meeting of Stockholders. The shares granted upon re-election vest one year from date of grant.

Upon each initial election to the Board that does not occur at the Annual Meeting of Stockholders, each director receives a grant of restricted stock, the number of shares of which will be determined by dividing (a) \$110,000 by the average of the fair market values of a share of Rosetta common stock for the 30 trading days immediately preceding the grant date, (b) then multiplying that product by a fraction, the numerator of which will be the number of days from the grant date until the one-year anniversary of the previous Annual Meeting of Stockholders, and the denominator of which shall be 365, and (c) then rounded up to the next whole share. The dollar value of this grant will be increased to \$120,000 (prior to proration) for any director elected after the 2012 Annual Meeting of Stockholders. The shares granted upon initial election will vest on the same date as shares granted to directors who were re-elected at the previous Annual Meeting of Stockholders.

The Company has implemented requirements that each non-employee director hold a specific minimum level of stock, and these requirements, which were modified in December 2011, are set forth in the Non-Employee Director Stock Ownership Guidelines, available in the Corporate Governance section of our

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website at [www.rosettaresources.com](http://www.rosettaresources.com). The guidelines require each non-employee director to own shares of equivalent value equal to at least four times the annual cash retainer received for service as a director. Stock that counts towards satisfaction of this requirement includes stock owned, whether directly or in street name; stock held beneficially; unvested restricted stock; and vested stock options. Directors have five years from the later of the date of their appointment to the Board or to the effective date of the guidelines to meet the requirement. For purposes of this guideline, the value of the stock will be deemed to be the greater of the price at acquisition or at current market value. All of Rosetta's directors are in compliance with the requirements.

Mr. Limbacher receives no separate compensation for service on the Board of Directors or for serving as its Chairman, nor will any other officers, if any, who serve as directors in the future, receive separate compensation. See Director Compensation Table for more information on director compensation paid for fiscal year 2011.

**2011 DIRECTOR COMPENSATION TABLE**

The following table discloses the cash, equity awards and other compensation earned, paid or awarded, as the case may be, to each of the Company's independent non-management directors during the fiscal year ended December 31, 2011. For a description of the fees and other awards payable to the Company's directors, please refer to the section titled Information Concerning the Board of Directors Compensation of Directors contained elsewhere in this Proxy Statement.

Director Name	Fees Earned or Paid in Cash	Stock Awards (1)	Option Awards	Non-equity Incentive Plan Compensation	Change in Pension Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation (2)	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Richard W. Beckler	85,000	100,996	0	0	0	0	185,996
Matthew D. Fitzgerald	94,250	100,996	0	0	0	1,200	196,446
Philip L. Frederickson	9,564	180,933	0	0	0	1,200	191,697
D. Henry Houston	79,250	100,996	0	0	0	0	180,246
Josiah O. Low III	9,535	170,962	0	0	0	0	180,497
Donald D. Patteson, Jr.	90,500	100,996	0	0	0	0	191,496

(1) Represents the total amount of the grant date fair value for shares awarded in 2011, in accordance with FASB ASC Topic 718. Actual income realized by the director will depend on stock price at the time of vesting. Stock award values for Messrs. Frederickson and Low are higher than for other directors because they took their annual retainers for board service in stock.

(2) The amounts shown in All Other Compensation represent the expenses for physical examinations.

Name	Aggregate Stock Awards Outstanding as of December 31, 2011	Aggregate Option Awards Outstanding as of December 31, 2011	Grant Date Fair Value of Stock and Option Awards
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	(#)	(#)	Made During 2011
			(\$)
Richard W. Beckler	2,441	12,500	100,996
Matthew D. Fitzgerald	2,441	5,000	100,996
Philip L. Frederickson	2,441	5,000	180,933
D. Henry Houston	2,441	25,000	100,996
Josiah O. Low III	2,441	0	170,962
Donald D. Patteson, Jr.	2,441	25,000	100,996

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**Compensation Committee Interlocks and Insider Participation**

At December 31, 2011, the members of the Compensation Committee were Messrs. Patteson, Frederickson and Low. Mr. Patteson is the Chairman of the Compensation Committee. No member of the Compensation Committee has been an officer or employee of the Company at any time and no such person had any relationship requiring disclosure under Item 404 of Regulation S-K.

During 2011, no executive officer or employee of the Company served as (i) a member of the Compensation Committee (or other Board committee performing equivalent functions) of another entity, one of whose executive officers served on the Compensation Committee of our Board of Directors; (ii) a director of another entity, one of whose executive officers served on the Compensation Committee of our Board of Directors; or (iii) a member of the Compensation Committee (or other Board committee performing equivalent functions) of another entity, one of whose executive officers served as a director of our Company.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

As of December 31, 2011, the following equity securities were authorized for issuance under the Company's existing compensation plans:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (1) (a) (#)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c) (#)
Equity Compensation Plans Approved by Security Holders	580,513	\$ 13.484	1,643,104
Equity Compensation Plans Not Approved by Security Holders			
<b>Total</b>	<b>580,513</b>	<b>\$ 13.484</b>	<b>1,643,104</b>

- (1) Includes all stock options granted as of December 31, 2011, whether or not vested (1,917,489) less all that have been exercised or cancelled as of December 31, 2011.

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

Section 16(a) of the Exchange Act and the rules of the SEC thereunder require our directors, executive officers and persons who own more than 10% of our common stock to file reports of their ownership and changes in ownership of our common stock with the SEC. Directors, executive officers and greater than 10% stockholders are required by regulation to furnish the Company with copies of all Section 16(a) reports they file. Our employees generally prepare these reports for our officers and directors on the basis of information obtained from each director and officer. Based solely on a review of copies of the reports and written representations provided to the Company from the individuals required to file reports, we believe that all reports required by Section 16(a) of the Exchange Act to be filed by our directors, executive officers and person owning more than 10% of our common stock during the last fiscal year were filed on time, except a Form 4 was filed late for shares withheld for taxes on February 1, 2011 for Michael Harold Hickey, a Form 4 was filed late for shares withheld for taxes on February 1, 2011 for Gerald Lewis Maxwell, a Form 4 was filed late for shares withheld for taxes on February 1, 2011 for Jackie Chad Driskill, a Form 4 was filed late for John Dewey Clayton for shares withheld for taxes on April 1, 2011, and a Form 4 was filed late for Stephen A. Coan for an award on December 1, 2011.

**CERTAIN TRANSACTIONS**

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We have entered into employment agreements with four of our executive officers. See [Compensation Discussion and Analysis](#) for a detailed description of those agreements. Additionally, we have entered into indemnification agreements with the members of the Board and with our executive officers.

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The Company has a related party transactions procedure for the review, approval or ratification of related party transactions, which are defined as all current or proposed transactions in excess of \$120,000 in which (i) the Company is a participant and (ii) any director, executive officer or immediate family member of any director or executive officer has a direct or indirect material interest. While this procedure is not formally stated, it is derived from our Governance Guidelines.

Pursuant to such procedures, all executive officers and directors are required to notify the General Counsel or the Corporate Secretary as soon as practicable of any proposed related party transaction. The General Counsel will determine whether a potential transaction or relationship constitutes a related party transaction that requires compliance with the policy and/or disclosure as a related party transaction under applicable SEC rules. If the General Counsel determines that the transaction or relationship constitutes a related party transaction, the transaction is referred to the Nominating and Corporate Governance Committee. Any member of the Nominating and Corporate Governance Committee who has an interest in the transaction presented for consideration will abstain from voting on the related party transaction.

**Table of Contents****PROPOSAL 3****RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee, which is composed entirely of independent directors, has selected PricewaterhouseCoopers LLP as the independent registered public accounting firm to audit the consolidated financial statements and the effectiveness of internal control over financial reporting of the Company and its subsidiaries for 2012. The Board has endorsed this appointment.

Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2012 requires the affirmative vote of a majority of the votes cast on the proposal at the annual meeting. If the appointment is not ratified, the Board will consider whether it should select another independent registered public accounting firm.

**The Board unanimously recommends that you vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm.**

**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The Audit Committee appointed PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2012. Stockholders are being asked to ratify the appointment of PricewaterhouseCoopers LLP at the annual meeting pursuant to Proposal 3. Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

**Audit and Non-Audit Fees Summary**

The following table shows the fees paid or accrued by us for services provided by PricewaterhouseCoopers LLP during the periods indicated:

	<i>(\$ in Thousands)</i>	2011	2010
Audit Fees <sup>(1)</sup>		\$ 1,406	\$ 1,424
Audit-Related Fees			
Tax Fees			
Other			

- (1) Audit fees represent fees for professional services provided in connection with: (a) the annual audit of our consolidated financial statements; (b) the annual audit of the effectiveness of our internal control over financial reporting; (c) the review of our quarterly consolidated financial statements; and (d) other assurance and related services, including attest reports and accounting consultations related to securities offerings and asset divestitures in 2010 and 2011.

**Audit Committee Pre-Approval Policies and Procedures**

The Audit Committee pre-approves all audit and non-audit services by the independent registered public accountant prior to the receipt of such services. Non-audit services may be pre-approved by the Audit Committee Chairman who will report such pre-approval to the Audit Committee at its next scheduled meeting.

All fees for 2011 and 2010 set forth in the table above were pre-approved by the Audit Committee Chairman or the Audit Committee, as provided above, which in either case determined that such services would not impair the independence of the auditor and are consistent with the SEC's rules on auditor independence.

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**REPORT OF THE AUDIT COMMITTEE**

To the Stockholders of

Rosetta Resources Inc.:

The primary purpose of the Audit Committee of the Company's Board of Directors is to assist the Board of Directors in fulfilling its responsibilities for monitoring (i) the integrity of the quarterly and annual financial and accounting information to be provided to the stockholders and the SEC; (ii) the system of internal controls that management has established; (iii) the Company's independent registered public accountant's qualifications and independence; (iv) the performance of the Company's internal audit functions and its independent registered public accountant; and (v) the Company's compliance with legal and regulatory requirements governing the preparation and reporting of financial information. The Audit Committee's function is more fully described in its charter, a copy of which is posted in the Corporate Governance section on our website at [www.rosettaresources.com](http://www.rosettaresources.com). The Audit Committee held five meetings during 2011, including regular meetings addressing earnings releases and related matters.

The Audit Committee has reviewed and discussed the Company's audited financial statements with management. It has also discussed with PricewaterhouseCoopers LLP (PWC), the Company's independent registered public accountants, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee also discussed with PWC and management PWC's independence from the Company and received the written disclosures and the letter from PWC concerning independence as required by the Public Company Accounting Oversight Board Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence.

Based on the Audit Committee's discussions with management and the independent registered public accountants, and its review of the representations of management and the report of PWC to the Audit Committee, the Audit Committee recommended to the Board of Directors the inclusion of the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on February 27, 2012.

The information contained in this Audit Committee Report shall not be deemed to be soliciting material to be filed with the SEC, nor shall such information be incorporated by reference into any future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act.

**AUDIT COMMITTEE**

Matthew D. Fitzgerald, Chairman

D. Henry Houston

Donald D. Patteson, Jr.



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### **OTHER BUSINESS**

Management does not intend to bring any other business before the meeting and has not been informed that any other matters are to be presented at the meeting by others. If other matters properly come before the meeting or any adjournment thereof, the persons named in the accompanying proxy and acting thereunder will vote in accordance with their best judgment.

### **STOCKHOLDER PROPOSALS AND OTHER MATTERS**

Rule 14a-8 under the Exchange Act addresses when a company must include a stockholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of stockholders. Under Rule 14a-8, proposals that stockholders intend to have included in the Company's Proxy Statement and form of proxy for the 2013 Annual Meeting of Stockholders must be received by the Company no later than December 14, 2012.

Such proposals may be submitted by eligible stockholders and must comply with the relevant regulations of the SEC regarding stockholder proposals. Such proposals should be sent to the Company's principal executive offices at 717 Texas, Suite 2800, Houston, Texas 77002; Attn.: Corporate Secretary.

If a stockholder intends to present a proposal for consideration at the Company's 2013 annual meeting without inclusion in the proxy statement and form of proxy, such proposal must comply with our Bylaws and any applicable rules and regulations of the SEC and be received by us no earlier than January 7, 2013 and no later than February 16, 2013.

The cost of solicitation of proxies will be borne by the Company. Solicitation may be made by mail, personal interview, telephone or telegraph by officers, agents or employees of the Company, who will receive no additional compensation therefor. The Company will bear the reasonable expenses incurred by banks, brokerage firms, custodians, nominees and fiduciaries in forwarding proxy material to beneficial owners.

### **ADDITIONAL INFORMATION**

#### **Annual Report**

The annual report to stockholders for the year ended December 31, 2011 is being mailed to all stockholders entitled to vote at the meeting. The annual report to stockholders does not form any part of the proxy soliciting materials. Copies of the Company's Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC, are available without charge to stockholders through the Investor Relations' section of the website at [www.rosettaresources.com](http://www.rosettaresources.com) or upon request to Karen Paganis, Assistant General Counsel and Corporate Secretary of Rosetta Resources Inc., 717 Texas, Suite 2800, Houston, Texas 77002.

#### **Stockholder Communications with the Board of Directors**

Stockholders who wish to communicate with the Board of Directors or a particular director may send a letter to the Corporate Secretary of the Company at 717 Texas, Suite 2800, Houston, Texas 77002. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Stockholder-Board Communication or Stockholder-Director Communication. All such letters must identify the author as a stockholder and clearly state whether the intended recipients are all members of the Board or just certain specified individual directors. The Corporate Secretary will make copies of all such letters and circulate them to the appropriate director or directors.

#### **Number of Proxy Statements and Annual Reports**

Only one copy of this Proxy Statement and the annual report accompanying this Proxy Statement will be mailed to stockholders who have the same address unless we receive a request that the stockholders with the same address are to receive separate Proxy Statements and annual reports. These additional copies will be supplied at no additional cost to the requesting stockholder.

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REGARDLESS OF THE NUMBER OF SHARES YOU OWN, IT IS IMPORTANT THAT THEY BE REPRESENTED AT THE MEETING, AND YOU ARE RESPECTFULLY REQUESTED TO VOTE YOUR PROXY AS SOON AS POSSIBLE.

By order of the Board of Directors of

ROSETTA RESOURCES INC.

Karen Paganis

*Assistant General Counsel and Corporate Secretary*

Houston, Texas

April 13, 2012

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**ROSETTA RESOURCES INC.**  
**ATTN: KAREN PAGANIS**  
**717 TEXAS AVE, SUITE 2800**  
**HOUSTON, TX 77002**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receive all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS  
 DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	
				To withhold authority to vote for any individual nominee(s), mark <b>For All Except</b> and write the number(s) of the nominee(s) on the line below.
<b>The Board of Directors recommends you vote</b>				
<b>FOR the following:</b>	..	..	..	
1. Election of Directors				
<b>Nominees</b>				
01 Richard W. Beckler	02 Matthew D. Fitzgerald	03 Philip L. Frederickson	04 D. Henry Houston	05 Randy L. Limbacher
06 Josiah O. Low III	07 Donald D. Patteson, Jr.			

## Edgar Filing: Rosetta Resources Inc. - Form DEF 14A

**The Board of Directors recommends you vote FOR proposals 2 and 3:**

For	Against	Abstain
..	..	..

**2** RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the Company's named executive officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the other related compensation tables, notes and narrative in the Proxy Statement for the Company's 2012 Annual Meeting of Stockholders.

**3** To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2012.      ..      ..      ..

**NOTE:** The shares represented by this proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholders. If no direction is made, this proxy will be voted FOR the election of all nominees under proposal 1, FOR proposal 2, FOR proposal 3, and in the discretion of the proxies with respect to such other business as may properly come before the meeting.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN      Date  
BOX]

Signature (Joint Owners)      Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Annual Report, Notice & Proxy Statement is/ are available at [www.proxyvote.com](http://www.proxyvote.com).

**ROSETTA RESOURCES INC.**

**This proxy is solicited by the Board of Directors**

**Annual Meeting of Stockholders**

**5/17/2012 9:00:00 A.M. CST**

The stockholder(s) hereby appoint(s) Randy L. Limbacher and John E. Hagale, or either of them, as proxies, each with the power to appoint their substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of ROSETTA RESOURCES INC. that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held at 9:00:00 A.M. CST on 5/17/2012, at the The Magnolia Hotel, 1100 Texas Avenue, Houston, Texas 77002, and any adjournment or postponement thereof, and to transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

**Continued and to be signed on reverse side**