

HKN, Inc.
Form PRE 14A
April 17, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

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

HKN, Inc.
(Name of Registrant as Specified In Its Charter)

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

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HKN, INC.

180 State Street, Suite 200

Southlake, Texas 76092

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held June 24, 2008

Notice is hereby given that the Annual Meeting of Stockholders (the Annual Meeting) of HKN, Inc., a Delaware corporation (HKN), will be held at the Algonquin Hotel, 59 West 44th Street, New York, NY 10036 on June 24, 2008, beginning at 1:00 p.m. local time, for the following purposes:

- (1) To elect five directors to serve as members of HKN s Board of Directors until the next annual meeting of stockholders, or until their successors are duly elected and qualified;

- (2) To consider and act upon a proposal to amend HKN s Restated Certificate of Incorporation to reduce the aggregate authorized shares of capital stock of HKN from Three Hundred Thirty Five Million (335,000,000) shares to Twenty Five Million (25,000,000) shares and to designate Twenty Four Million (24,000,000) shares as Common Stock with a par value of One Cent (\$0.01) and One Million (1,000,000) shares as Preferred Stock with a par value of One Dollar (\$1.00).

- (3) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Board of Directors recommends that you vote in favor of all proposals described in the attached Proxy Statement.

The Board of Directors has fixed the close of business on May 2, 2008 as the date of record (Record Date) for determining the stockholders entitled to notice of and to vote, either in person or by proxy, at the Annual Meeting and any adjournment or postponement thereof.

HKN s 2007 Annual Report on Form 10-K, a Proxy Statement containing information relating to the matters to be acted upon at the Annual Meeting and a form of Proxy accompany this Notice.

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You are cordially invited to attend the Annual Meeting. **WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO DATE, SIGN AND PROMPTLY RETURN YOUR PROXY SO THAT YOUR SHARES MAY BE VOTED IN ACCORDANCE WITH YOUR WISHES AND SO THAT THE PRESENCE OF A QUORUM MAY BE ASSURED. YOUR VOTE IS IMPORTANT.** The giving of a proxy does not affect your right to revoke it later or vote your shares in person if you should attend the Annual Meeting.

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If you plan to attend the Annual Meeting, please note that this is a stockholders' meeting and attendance will be limited to stockholders of HKN or their qualified representatives. Each stockholder will be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts (street name holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the Record Date. Qualified representatives of a stockholder must have identification as well as a properly executed proxy from the stockholder they are representing. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.

By Order of the Board of Directors

/s/ Elmer A. Johnston
Elmer A. Johnston
Secretary

Southlake, Texas

May 8, 2008

HKN, INC.

180 State Street, Suite 200

Southlake, Texas 76092

PROXY STATEMENT

**FOR ANNUAL MEETING OF STOCKHOLDERS
to be held June 24, 2008**

SOLICITATION OF PROXIES

The accompanying Proxy is solicited on behalf of the Board of Directors of HKN, Inc., a Delaware corporation ("HKN"), in connection with the Annual Meeting of Stockholders (the "Annual Meeting"), which will be held at the Algonquin Hotel, 59 West 44th Street, New York, NY 10036, on June 24, 2008 beginning at 1:00 p.m. local time, and any adjournments or postponements thereof, for the purposes set forth in the accompanying notice. This Proxy Statement and the accompanying form of proxy were first mailed to stockholders of record on or about May 8, 2008.

RECORD DATE AND VOTING SECURITIES

The Board of Directors has fixed the close of business on May 2, 2008 as the Record Date for determining the holders of common stock, \$.01 par value per share, of HKN ("Common Stock") entitled to notice of and to vote, either in person or by proxy, at the Annual Meeting. The shares of Common Stock are the only shares of capital stock entitled to vote at the Annual Meeting. On May 2, 2008, HKN had 9,695,658 shares of Common Stock outstanding.

QUORUM AND VOTING

Each share of Common Stock is entitled to one vote. The presence, in person or represented by proxy, of the holders of a majority of the issued and outstanding shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Abstentions and broker non-votes (*i.e.*, shares held by a broker for its customers that are not voted because the broker does not receive instructions from the customer or because the broker does not have discretionary voting power with respect to the proposal under consideration) are counted for purposes of determining whether a quorum is present.

On all matters submitted to a vote of the stockholders at the Annual Meeting or any adjournment thereof, each stockholder will be entitled to one vote for each share of Common Stock owned of record by such stockholder at the close of business on May 2, 2008.

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The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of directors. A properly executed proxy marked **Withhold All** with respect to the election of directors will not be voted with respect to any of the directors, although it will be counted for the purpose of determining whether there is a quorum. A properly executed proxy marked **For All Except** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for the purpose of determining whether there is a quorum. Any proxy upon which no instructions have been indicated will be voted **FOR** election of the director nominees. Abstentions and broker non-votes will have no effect on the election of nominees to the Board of Directors.

The affirmative vote of the holders of a majority of the outstanding shares of Common Stock is required for approval of the proposed amendment to HKN's Restated Certificate of Incorporation to effect a reduction of HKN's aggregate authorized shares. Any proxy upon which no instructions have been indicated will be voted **FOR** approval of the proposed amendment. Abstentions and broker non-votes will be treated as a vote against the proposed amendment to HKN's Restated Certificate of Incorporation.

The affirmative vote of the holders of a majority of the shares having voting power, which are present in person or represented by proxy, shall decide all other questions properly brought before the Annual Meeting.

If any other matters are properly presented at the Annual Meeting for consideration, the individuals named as proxies and acting thereunder will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. At the date this Proxy Statement went to press, we did not know of any matters, other than the two proposals disclosed in this proxy, to be presented at the Annual Meeting.

ACTIONS TO BE TAKEN UNDER THE PROXY

HKN knows of no other matters to be presented at the Annual Meeting other than those listed below:

1. To elect the five nominees named in this Proxy Statement to the Board of Directors of HKN to hold office until the next annual meeting of stockholders, or until their successors are duly elected and qualified; and
2. To consider and act upon a proposed amendment to HKN's Restated Certificate of Incorporation to reduce HKN's aggregate authorized shares.

If, however, other matters properly come before the Annual Meeting or any adjournments thereof, it is the intention of the persons named in the accompanying proxy to vote such proxy in accordance with their judgment on any such matters. The persons named in the accompanying proxy may also, if it is deemed advisable, vote such proxy to adjourn the Annual Meeting from time to time.

RECOMMENDATIONS OF THE BOARD

Unless a stockholder gives other instructions on the proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendation of the Board of Directors. The Board recommends a vote **FOR** all of the proposals presented for approval.

PROXY SOLICITATION

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The expense of any solicitation of proxies will be borne by HKN. HKN will request banking institutions, brokerage firms, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of Common Stock held of record by such persons as of the Record Date, and HKN will reimburse such entities for their reasonable out-of-pocket expenses. HKN has retained Morrow & Co., Inc. (Morrow) to act as a proxy solicitor in connection with this Annual Meeting. HKN has agreed to pay Morrow a fixed fee of \$5,000, plus expenses for proxy solicitation services and a per call fee of \$5.00 for supplemental telephone solicitation calls handled by Morrow. Additionally, the original solicitation of proxies by mail may be supplemented by telephone, email, fax or personal solicitation by officers or regular employees of HKN. No additional compensation will be paid to officers and regular employees for such services.

You may revoke your proxy at any time before its exercise. You may also revoke your proxy by voting in person at the Annual Meeting. If you are a beneficial shareholder, you must contact your brokerage firm or bank to change your vote or obtain a proxy to vote your shares if you wish to cast your vote in person at the Annual Meeting.

OWNERSHIP OF COMMON STOCK

Security Ownership of Certain Beneficial Owners

As of May 2, 2008, HKN had 9,695,658 shares of Common Stock outstanding. As of that date, the only persons known by HKN to beneficially own five percent (5%) or more of the outstanding shares of Common Stock were:

Title of class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Common Stock	Lyford Investment Enterprises Ltd. Insinger de Beaufort Tropic Isle Building Wickhams Cay 1 Road Town, Tortola, D8	3,065,368 (1)	31.62%
Common Stock	The Tail Wind Fund Ltd. 1 st Floor Regent Street London, SW1Y 4NS United Kingdom	666,745 (2)	6.877%
Common Stock	River Road Asset Management, LLC 462 S. 4 th Street, Suite 1600 Louisville, KY 40202	562,920 (3)	5.8%

(1) As reflected on stockholder's Form 4 filed on January 23, 2008.

(2) Stockholder has sole voting and dispositive power with respect to these shares. Includes (i) 25,815 shares of Common Stock held, (ii) 317,701 shares of Common Stock into which 42,000 shares of Series M Convertible Preferred Stock are convertible, assuming a conversion price of \$13.22 and no accrued dividends, issued to this stockholder on or about October 12, 2004, (iii) 142,091 shares of Common Stock into which warrants are exercisable, at an exercise price of \$15.01, which were issued to this stockholder on May 28, 2004, and (iv) 180,138 shares of Common Stock into which warrants are exercisable, at an exercise price of \$12.77, which were issued to this stockholder on or about October 12, 2004. As reflected on stockholder's Form 13G/A filed on January 23, 2008.

(3) Stockholder has sole voting power with respect to 391,980 of these shares and sole dispositive power over all of these shares. As reflected on stockholder's Form 13G filed on February 13, 2008.

Security Ownership of Directors and Management

The following table sets forth information, as of May 2, 2008, regarding the number of shares of Common Stock beneficially owned by directors and executive officers that are named in the 2007 Summary Compensation Table below, and all of HKN's directors and named executive officers as a group. Each director and executive officer has sole voting and investment power with respect to the shares beneficially owned by him/her.

Name	Number of Shares Beneficially Owned	Percent of Class
Michael M. Ameen, Jr.	2,600	*
Mikel D. Faulkner	7,000	*
Dr. J. William Petty	3,248	*
Alan G. Quasha	0(1)	*
H.A. Smith	1,349	*
Anna M. Williams	0	*
Elmer A. Johnston	0	*
Rodger L. Ehrlish	1,116	*
Richard O. Cottle	0	*
Kris Hartmann	0	*
All directors and named executive officers as a group (10 persons)	15,313	*

* Less than 1%

(1) Does not include 3,065,368 shares beneficially owned by Lyford Investments Enterprises Ltd. Mr. Quasha is the son of Phyllis Lyford, who is the principal of Lyford, but Mr. Quasha disclaims any beneficial ownership of these shares.

CORPORATE GOVERNANCE

Dr. J. William Petty, Michael H. Ameen, Jr. and Hobart A. Smith have been determined by our Board of Directors to be independent as defined in the listing standards of the American Stock Exchange (AMEX), and financially literate or sophisticated as required by and in compliance with the listing standards of the AMEX. Our Board of Directors based its conclusions regarding the independence of these directors on (i) the fact that none of such persons is an executive officer or employee of the Company; and (ii) its opinion that none of such persons has a relationship which will interfere with the exercise of independent judgment in carrying out the responsibilities of such director. Our Board of Directors intends to analyze the independence issue annually to promote arms-length oversight.

As of May 2, 2008, our largest shareholder, Lyford Investment Enterprises Ltd. (Lyford), beneficially owned 31.62% of the combined voting power of our Common Stock. Lyford is in a position to exercise significant influence over the election of our Board of Directors and other matters.

During 2007, our Board of Directors held five regularly scheduled meetings and acted through unanimous written consent on four separate occasions. During 2007, each member of our Board of Directors attended all of the Board and Board Committee meetings on which he served. Our independent directors meet in executive session at such times, including dates of regularly scheduled meetings of the entire Board of Directors and meetings of the three standing committees of the Board of Directors, as determined by the independent directors. Our independent directors met in executive sessions five times during the fiscal year ended December 31, 2007.

Our Board's policy is to encourage all of our directors to attend each annual meeting of stockholders. Such attendance allows for direct interaction between stockholders and members of our Board of Directors. Each of our directors or director nominees attended our 2007 Annual Meeting on June 4, 2007.

Our Board of Directors has standing Audit, Compensation and Nominating Committees, which we describe below.

Nominating Committee. The Nominating Committee of our Board of Directors is comprised of Mr. Smith, who chairs the Nominating Committee, and Messrs. Ameen and Petty. Each of the members of the Nominating Committee is independent, as independence is defined in the listing standards of the AMEX. The Nominating Committee adopted a written charter on October 15, 2004, which is available on the HKN, Inc. website at www.hkninc.com. During 2007, the Nominating Committee held one official meeting. On March 29, 2008 the Nominating Committee, through written consent, determined its recommendations for director nominees for election at the 2008 Annual Meeting.

The Nominating Committee considers nominations for our Board of Directors, develops and reviews background information for candidates, and makes recommendations to our Board of Directors with respect to candidates for election as directors. The Nominating Committee identifies nominees for director through recommendations from directors, officers and stockholders. When evaluating nominees for director, the Nominating Committee considers several factors, including without limitation, the nominee's ability to devote adequate time to the duties and responsibilities of our Board of Directors, the nominee's independence under the requirements of the AMEX and the rules and regulations of the Securities and Exchange Commission, and the nominee's education and professional experience. All of the nominees for director on the proxy card for the 2008 Annual Meeting are directors standing for re-election with one also serving as an executive officer of the Company.

Audit Committee. The Audit Committee of our Board of Directors (the Audit Committee) is composed entirely of independent directors who meet the independence, experience and other qualification requirements of the AMEX, the Securities and Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission. The Chairman of the Audit Committee, Dr. J. William Petty, has been determined by our Board of Directors to be an audit committee financial expert as defined by the AMEX rules and the Securities and Exchange Commission and financially sophisticated as required by the AMEX listing standards.

Our Audit Committee's responsibilities are specified in the Audit Committee Charter (the Charter) which is available on our website at www.hkninc.com. As set forth in the Charter, the Audit Committee's responsibilities include appointing, compensating, retaining and overseeing the work of the independent auditors for the Company (the Auditors), for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attestation services for the Company. Our management retains the primary responsibility for the Company's financial reporting process, principles and internal controls as well as preparation of its financial statements. Our Audit Committee has implemented procedures to ensure that during the course of each fiscal year they devote the attention that they deem necessary or appropriate to each of the matters assigned to the Audit Committee under its Charter.

In the discharge of its responsibilities and consistent with standing practices, the Audit Committee held four meetings during 2007. The Audit Committee also held a number of conference calls, informal meetings and communications among the various committee members, the Company's Auditors and/or members of Company management throughout 2007.

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed with management and the Auditors, the Company's audited financial statements as of and for the year ended December 31, 2007. The Audit Committee has discussed with the Auditors the matters required to be discussed under auditing standards generally accepted in the United States, including those matters set forth in Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, (AICPA Professional Standards, Vol. 1, AU section 380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T. We have received and reviewed the written disclosures and the letter from the Auditors required by

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Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as adopted by the Public Company Accounting Oversight Board in Rule

3600T, and have discussed with the Auditors the Auditors' independence. The Audit Committee has concluded that the Auditors are independent from the Company and its management.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

By: J. William Petty, Chair
Michael M. Ameen, Jr.
H. A. Smith

Compensation Committee. The Compensation Committee of our Board of Directors ("Compensation Committee") is made up entirely of independent directors, as independence is defined in the listing standards of the AMEX. Committee members are Michael M. Ameen, Jr., who chairs the committee, and Messrs. Ameen and Petty. Our Compensation Committee does not operate under a written charter. Our Compensation Committee is responsible for establishing base salaries, bonuses, and other compensation for our executive officers, including the CEO, and directors. Our Compensation Committee has no authority to delegate its authority, however, the members may retain the services of a compensation consultant and may consider recommendations of the CEO and Chairman of our Board during the process of establishing compensation for other executive officers. The Compensation Committee held one regular meeting during 2007 and also held several conference calls, informal meetings and communications throughout 2007.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis ("CD&A") with our management and, based on such review and discussion, has recommended the CD&A be included in our Proxy Statement for the 2008 Annual Meeting of Stockholders.

By: Michael M. Ameen, Jr., Chair
H. A. Smith
J. William Petty

COMMUNICATING WITH THE BOARD

The Board of Directors encourages stockholders to communicate with the Board by writing to:

Board of Directors

c/o The Chairman

HKN, Inc.

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180 State Street, Suite 200

Southlake, Texas 76092

The Board has authorized our management to review and organize communications from our stockholders and/or interested parties and deliver them to the Board. We forward communications to all directors if they relate to substantive matters. In general, we are more likely to forward communications relating to corporate governance or long-term strategy than communications relating to personal grievances and less significant matters.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
J. William Petty	\$ 87,000	0	0	0	0	0	\$ 87,000
Michael M Ameen, Jr.	\$ 82,000	0	0	0	0	0	\$ 82,000
Hobart A. Smith	\$ 82,000	0	0	0	0	0	\$ 82,000
Alan G. Quasha	0	0	0	0	0	0	0
Mikel D. Faulkner (See 2007 Summary Compensation Table)							

During January through June of 2007, the independent non-executive Board members were paid a \$2,000 per meeting fee; after June 30, 2007, these Board members were paid an annual fixed per director fee, as follows, with no per meeting fee:

• Annual Retainer Fee for independent Board Member and Audit Committee Chairman	\$ 75,000
• Annual Retainer Fee for other independent Board Members:	\$ 70,000

Director performance is a key influence factor in organizational performance. Just as alignment of HKN's strategic objectives for management compensation are critical, so too is directors' compensation. To this end, directors' compensation is assessed annually to monitor and adjust it, as appropriate, in order to ensure alignment with HKN's strategic objectives.

The analysis and review of directors' compensation is the responsibility of our Compensation Committee and our Board of Directors. In undertaking this responsibility, our Compensation Committee reviews compensation surveys of the oil and gas industry. Our Compensation Committee also engages, from time to time, consultants who provide supplemental data considered in establishing the directors' compensation. After our Compensation Committee has reviewed the data, it formulates a recommendation for review by our Board of Directors.

RELATED PARTY TRANSACTIONS

During 2007 to the time this Proxy Statement went to print, there have been no transactions or proposed transactions with related parties. The Audit Committee Charter authorizes our Audit Committee to review and approve all related party transactions in the absence of a separate committee being established by our Board for that purpose. Other than as addressed in the Audit Committee Charter, we do not employ specific written procedures for the review, approval or ratification of related party transactions involving our directors, officers and employees or their

family members, but we consider such transactions on a case-by-case basis.

EXECUTIVE OFFICERS OF HKN

The officers of HKN are elected annually by the Board of Directors on the date of each Annual Meeting of Stockholders, or as soon thereafter as practicable. Each officer holds office until the earlier of such time as his or her successor is duly elected and qualified, or his or her death, resignation or removal from office. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in its judgment, the best interests of HKN will be served thereby.

The executive officers of HKN, their ages and positions held with HKN and their business experience for the past five years are:

Name	Age	Position Held with HKN
Mikel D. Faulkner	58	Chief Executive Officer and President
Anna M. Williams	37	Senior Vice President and Chief Financial Officer
Elmer A. Johnston	47	General Counsel and Secretary
Rodger L. Ehrlish	56	Treasurer
Richard O. Cottle	52	Vice President Operations
Kris Hartmann	45	Vice President Exploration

Mikel D. Faulkner has served in his current capacity as a director and Chief Executive Officer of HKN since 1982, and has served as President of HKN since March 31, 2003. Mr. Faulkner previously served as Chairman of the Board of HKN from February 1991 until March 31, 2003. From April 2002 to the present, Mr. Faulkner has served as Chairman of Global Energy Development plc (Global), in which HKN owns a 33.67% interest. Since August of 2007 Mr. Faulkner has served on the Board of Directors and as a member of the Compensation Committee of Spitfire Energy, Ltd., a Canadian public company in which HKN holds a 25% interest.

Anna M. Williams has served as Senior Vice President and Chief Financial Officer of HKN since January 1, 2008. From March 31, 2003 to January 1, 2008 she served as Vice President Finance and Chief Financial Officer of HKN. From June 2001 to March 2003, Ms. Williams served as Executive Vice President Finance and Chief Financial Officer. Since August of 2007 Ms. Williams has served on the Board of Directors of Spitfire Energy, Ltd., a Canadian public company in which HKN holds a 25% interest.

Elmer A. Johnston has served as General Counsel and Secretary of HKN since January 1, 2008. He served as Vice President General Counsel and Secretary of HKN from March 31, 2003 to January 1, 2008 and served as Senior Counsel to Global from March 2002 to September 30, 2005. From 1998 to 2002, Mr. Johnston served as Assistant General Counsel of HKN.

Rodger L. Ehrlish has served as Treasurer of HKN since June of 2003. Mr. Ehrlish previously served as Finance Director of Global from 2001 to 2003 and was treasurer of HKN prior to 2001.

Richard O. Cottle has served as Vice President Operations of HKN's domestic subsidiaries since 2002. In January 2008, Mr. Cottle was named as Vice President Operations of HKN by HKN's Board of Directors.

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Kris Hartmann has served as Vice President Exploration of HKN's domestic subsidiaries since 2002. In January 2008, Mr. Hartmann was named as Vice President Exploration of HKN by HKN's Board of Directors.

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The principal objective of our executive compensation program is to attract, motivate, retain and reward executives in a fiscally responsible manner. To meet this objective, we use a combination of base salary and performance

based cash bonuses. Our compensation program is designed to reward each Executive based on his/her level of responsibility, his/her individual performance and to align executive performance with the enhancement of shareholder value.

Our executive compensation guidelines are developed and monitored by our Compensation Committee, which is made up of the three independent directors on the Board. The Compensation Committee bears principal responsibility for determining appropriate compensation for our Chief Executive Officer, Chief Financial Officer and our three other most highly compensated executive officers, (referred to as "named executive officers" or "NEOs" in this Proxy Statement). In fulfilling its role, our Compensation Committee is responsible for establishing guidelines to be used to measure our overall performance and that of each NEO and the corresponding adjustments to each NEO's compensation levels. From time to time, our Compensation Committee will meet with our Chief Executive Officer to discuss executive compensation matters with regard to the other NEOs in general. The Compensation Committee also meets without our Chief Executive Officer present and evaluates his performance compared with previously established financial and non-financial goals and guidelines.

Our compensation program elements allow us to meet our objectives by linking individual performance and company performance in determining a compensation package for each NEO that both rewards and motivates.

Overall Program Objectives

The principal objective of our executive compensation program is to attract, motivate, retain and reward executives in a fiscally responsible manner. To achieve this objective, we clearly communicate what is expected of executives with respect to performance goals. Compensation is designed to align actual compensation with performance results, delivering more compensation to executives when we achieve performance objectives and increased value to shareholders, with an inverse relationship occurring when we achieve lower performance results. Our Compensation Committee deliberates among its members to ensure guidelines and maximum performance goals are aggressive enough to warrant cash bonuses and adjustments to salary levels.

Achievement of our objectives is sought by providing the following primary executive compensation elements:

- A base salary that represents cash compensation based on internal equity and external industry-based competitiveness;
- A performance-based annual cash bonus that provides each NEO an opportunity to earn cash awards based upon the achievement of goals, performance targets and other guidelines during the course of a fiscal year;
- Benefit programs provided to all employees, including health care benefits, dental, life, vision and 401K programs.

We strive to provide a compensation opportunity for each NEO that is competitive with similar companies in the oil and gas industry. In doing so, we consider competitive market compensation data, including the compensation practices of peers, as well as broader industry compensation survey data.

Our Compensation Committee also reviews each NEO's skills, scope of responsibilities, performance and effectiveness in supporting our overall goals.

Executive Compensation Elements

Base Salary

Purpose: The purpose of base salary is to reflect each executive's job responsibilities, individual performance and competitive compensation levels.

Considerations: Our Compensation Committee reviews and determines, on an annual basis, the base salaries of each NEO. Individual base salary levels are based upon years of experience and individual performance. This amount is not generally at risk and may be adjusted annually based on merit and external market conditions.

Annual Incentive Bonus

Purpose: The purpose of the annual cash incentive bonus is to align executive performance with annual strategic goals while enhancing shareholder value. To accomplish this objective we provide incentives in the form of an annual cash bonus upon the attainment of certain performance goals set out at the beginning of each year under general guidelines developed by our Compensation Committee.

Considerations: At the beginning of each year, our Compensation Committee establishes certain guidelines that can include financial and other performance targets. Cash bonus awards are considered annually through a discussion and determination of our Compensation Committee and our Board of Directors on key measures that drive performance. Our Board of Directors and management consider current performance, including strengths and performance gaps, to determine what areas need to be incented to achieve the strategic objectives for the year.

Equity and Long Term Compensation

We do not currently have in place any stock option or equity-based compensation plans. In 2004, after our Board of Directors authorized us, we terminated all of our employee stock option plans; as of December 31, 2004, all of our previously issued and/or outstanding stock options had expired or been voluntarily cancelled. Since that time, our Compensation Committee has determined not to use equity awards both in response to increasing criticism of such awards and because of the complications of financial accounting for such awards.

We do not currently have any long-term incentive, pension, nonqualified defined contribution, or other nonqualified deferred compensation plans.

Additional Benefits

Each NEO, as reflected in the All Other Compensation column of the 2007 Summary Compensation Table, also receives life insurance premium benefits. Executives are also entitled to participate in the broad-based benefit plans offered generally to all of our full-time employees (e.g., the 401(k) plan, health insurance and other employee benefits). Such participation in these benefit plans exists on the same terms for all of our employees.

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In addition, our Compensation Committee has determined to furnish Mikel Faulkner, our President and CEO, with a company car. The responsibilities of Mr. Faulkner's position require frequent business travel within the State of Texas and the use of this company car is primarily for such business travel. The use of this company car is a cost saving measure to us, saving on airline travel, car rental and other transportation costs, while allowing Mr. Faulkner flexibility in the performance of the duties of his position.

Total Compensation

Each element of compensation is independently set for each NEO. As a result, the allocation of each compensation component can vary by NEO.

Year-end 2007 Cash Bonus Awards and 2008 Compensation

In setting year-end 2007 cash bonuses and 2008 compensation levels, our Compensation Committee used internally developed guidelines, targeting certain performance goals. The Committee also assessed the competitiveness of each NEO's base salary.

2008 Compensation

Our Compensation Committee concluded that the base salary levels for each NEO should be raised for 2008 in order to continue to be competitive and, at its meeting on February 8, 2008, approved and authorized the 2008 base salary for each NEO. The table below shows the 2008 base salary for each NEO:

Officer	2008 Salary
Mikel D. Faulkner	\$ 365,000
Anna M. Williams	\$ 205,000
Elmer A. Johnston	\$ 205,000
Richard O. Cottle	\$ 190,000
Rodger A. Ehrlish	\$ 170,000

Year-end 2007 Cash Bonus Awards

The bonus determinations for the NEOs are based upon performance against financial performance targets and against functional performance measures. The financial performance targets and guidelines were exceeded for 2007 and our Compensation Committee determined to award cash bonuses to our NEOs based on both our financial performance and functional performance measures in attaining these successes for 2007. The bonus amounts for each NEO are shown in the 2007 Summary Compensation Table that follows. Our Compensation Committee determined and authorized the payment of these cash bonus awards in February 2008.

Tax Considerations

We have structured our compensation program to comply with Internal Revenue Code Sections 162(m) and 409A. Under Section 162(m) of the Internal Revenue Code, a limitation was placed on tax deductions of any publicly held corporation for individual compensation to certain executives of such corporation exceeding \$1,000,000 in any taxable year, unless the compensation is performance-based. If an executive is entitled to nonqualified deferred compensation benefits that are subject to Section 409A, and such benefits do not comply with Section 409A, then the benefits are taxable in the first year they are not subject to a substantial risk of forfeiture. In such case, the executive is subject to regular federal income tax, interest and an additional federal income tax of 20% of the benefit includible in income. The Company has no individuals with non-performance based compensation paid in excess of the Internal Revenue Code Section 162(m) tax deduction limit.

EXECUTIVE COMPENSATION

The 2007 Summary Compensation Table below sets forth certain information regarding NEO compensation during fiscal year 2006 and fiscal year 2007. Tables for plan based and equity awards, deferred compensation and change of control/termination payments are not presented because HKN does not provide for such forms of compensation.

2007 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus (1)	Stock Awards (2)	Option awards (2)	Non-Equity Incentive Plan Compensation (2)	Change to Pension Value and Nonqualified Deferred Compensation Earnings (2)	All Other Compensation	Total
Mikel D. Faulkner	2007	\$ 350,000	\$ 126,000	0	0	0	0	\$ 26,075 ⁽³⁾	\$ 502,075
President & CEO	2006	\$ 350,000	\$ 36,015	0	0	0	0	\$ 22,998 ⁽³⁾	\$ 409,013
Anna M. Williams	2007	\$ 195,000	\$ 76,000	0	0	0	0	\$ 16,422 ⁽⁴⁾	\$ 287,422
Vice President & CFO	2006	\$ 195,000	\$ 31,015	0	0	0	0	\$ 15,870 ⁽⁴⁾	\$ 241,885
Elmer A. Johnston	2007	\$ 195,000	\$ 76,000	0	0	0	0	\$ 16,892 ⁽⁵⁾	\$ 287,892
Secretary & General Counsel	2006	\$ 195,000	\$ 81,015	0	0	0	0	\$ 15,867 ⁽⁵⁾	\$ 291,882
Rodger Ehrlish	2007	\$ 160,000	\$ 58,500	0	0	0	0	\$ 21,182 ⁽⁶⁾	\$ 239,682
Treasurer	2006	\$ 160,000	\$ 36,015	0	0	0	0	\$ 18,717 ⁽⁶⁾	\$ 214,732
Richard O. Cottle	2007	\$ 167,800	\$ 53,000	0	0	0	0	\$ 10,152 ⁽⁷⁾	\$ 198,952
Vice President Operations	2006	\$ 157,300	\$ 28,765	0	0	0	0	\$ 9,771 ⁽⁷⁾	\$ 195,836

(1) The bonus amounts earned in 2007 include: for Mikel Faulkner, a \$125,000 bonus award for fiscal year 2007 (paid in 2008) and a \$1,000 Christmas bonus for 2007; for Anna Williams a \$75,000 bonus award for 2007 (paid in 2008) and a \$1,000 Christmas bonus for 2007; for Elmer Johnston, a \$75,000 bonus award for 2007 (paid in 2008) and a \$1,000 Christmas bonus for 2007; for Rodger Ehrlish a \$50,000 bonus award for 2007 (paid in 2008), a \$1,000 Christmas bonus for 2007 and a \$7,500 bonus award for 2007 (paid in 2007); and, for Richard Cottle a \$32,000 bonus award for fiscal year 2007 (paid in 2008), a \$20,000 relocation bonus and a \$1,000 Christmas bonus for 2007.

The following bonus awards for fiscal year 2006 were actually paid in 2007 but are not included in the Executive Compensation Table for 2007 because they were earned in 2006: Mikel Faulkner, \$35,000; Anna Williams, \$19,500; Elmer Johnston, \$19,500; and Rodger Ehrlish \$16,000. For 2006, the bonus amounts represent that portion of awards for fiscal year ended December 31, 2005 that were paid in 2006.

(2) HKN does not currently have in place any stock-option, equity-based, long-term incentive, pension, nonqualified defined contribution, or other nonqualified deferred compensation plans. In 2004, after Board of Directors authorization, HKN's employee stock option plans were terminated; as of December 31, 2004, all of HKN's previously issued and/or outstanding stock options had expired or been voluntarily cancelled.

(3) All other compensation for 2007 and 2006 for Mikel D. Faulkner included the value of personal use of company car, value of life insurance premiums paid by HKN, and value of HKN's employer contributions to employee's 401(k).

(4) All other compensation for 2007 and 2006 for Anna M. Williams includes the value of life insurance premiums paid by HKN and value of HKN's employer contributions to employee's 401(k).

(5) All other compensation for 2007 and 2006 for Elmer A. Johnston includes the value of life insurance premiums paid by HKN and value of HKN's employer contributions to employee's 401(k).

(6) All other compensation for 2007 and 2006 for Rodger Ehrlish includes the value of life insurance premiums paid by HKN and value of HKN's employer contributions to employee's 401(k).

(7) All other compensation for Richard Cottle includes the value of life insurance premiums paid by HKN and value of HKN's employer contributions to employee's 401(k).

CHANGE-IN-CONTROL ARRANGEMENTS

There were no change-in-control arrangements in effect in 2007.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2007, Dr. J. William Petty and Messrs. Ameen and Smith were members of HKN's Compensation Committee and participated in all deliberations concerning executive compensation. No executive officer of HKN served as a member of the Compensation Committee during 2007. None of the named Executive Officers serves or has served as a member of the board of directors or compensation committee of any other entity which has one or more executive officers serving on HKN's Board of Directors or Compensation Committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires HKN's directors and executive officers, and any persons who own more than ten percent of a registered class of HKN's equity securities, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of HKN. Directors, executive officers and greater than ten percent stockholders are required by Securities and Exchange Commission regulations to furnish HKN with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms and written representations from certain reporting persons, HKN believes that all filing requirements applicable to its directors and executive officers have been complied with during 2007.

PROPOSAL ONE

TO ELECT FIVE DIRECTORS TO SERVE AS HKN'S BOARD OF DIRECTORS

HKN's Board of Directors is composed of five directors. Directors are elected annually to serve until the next annual meeting of stockholders, or until their successors are elected and have been qualified. At the Annual Meeting, the five nominees named below are to be elected to serve until the 2009 Annual Meeting or until their successors have been elected and have been qualified. Each nominee is now a HKN director.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE NOMINEES NAMED BELOW TO THE BOARD OF DIRECTORS.

Vote Required for Election of Directors

To be elected as a director, each nominee must receive the affirmative vote of a plurality of the votes duly cast at the Annual Meeting. Abstentions and broker non-votes will have no effect on the election of nominees to the Board of Directors. Lyford, which owns 31.62% of the shares entitled to vote at the Annual Meeting, has advised HKN that it intends to vote all of its shares for the five nominees named below.

Nominees for Directors

Information about the nominees for election as directors appears below:

Name, Age and Business Experience	Director Since
<p>Michael M. Ameen, Jr. (Age 84), Independent Consultant on Middle East Affairs since 1991. From 1989 to 1999, Mr. Ameen served as a part time consultant to HKN with regard to Middle Eastern exploration projects. Mr. Ameen has previously served as director of American Near East Refugee Aid; past director of Amideast; past director of Middle East Institute; past director of International College in Beirut, Lebanon; past vice president of government relations and director of Washington office of Aramco; past president of Mobil Middle East Development Corporation; and Member, Energy Intelligence Group International Advisory Board.</p>	1994
<p>Mikel D. Faulkner (Age 58), Chief Executive Officer of HKN since 1982 and President of HKN since March 2003. From 1991 to March 2003, Mr. Faulkner served as Chairman of the Board of HKN and, from 1982 to February 1993, Mr. Faulkner served as President of HKN. Mr. Faulkner currently serves as Chairman of the Board of Directors of Global Energy Development plc, a position he has held since April 2002; HKN holds a 33.67% interest in Global Energy Development plc. Since August of 2007 Mr. Faulkner has served on the board of directors and as a member of the compensation committee of Spitfire Energy, Ltd., a Canadian public company in which HKN holds a 25% interest.</p>	1982
<p>Dr. J. William Petty (Age 65), Professor of Finance and the W.W. Caruth Chairholder of Entrepreneurship at Baylor University since 1990. From December 1979 to 1990, Dr. Petty served as dean of the Business School at Abilene Christian University. Dr. Petty has also served as a subject matter expert on a best-practices study by the American Productivity and Quality Center on the topic of shareholder value based management and has served on a research team for the Australian Department of Industry to study the feasibility of establishing a public equity market for small and medium-sized enterprises in Australia.</p>	2000
<p>Alan G. Quasha (Age 58), President of Quadrant Management, Inc., an investment management company, since 1988. Mr. Quasha has served as Chairman of the Board of HKN since March 31, 2003 and previously served as Chairman of the Board of HKN from June 1983 to February 1991. Mr. Quasha has served as a director of Compagnie Financière Richemont SA, a Swiss luxury goods company, since its formation in 1988, and American Express Funds, the mutual fund arm of American Express Company, from May 2002 to April 2004. From April 1994 to April 1997 Mr. Quasha served as a governor of the American Stock Exchange.</p>	2003
<p>H.A. Smith (Age 71), Consultant to Smith International Inc., an oil field service company, since June 1991. Previously, Mr. Smith served as Vice President-Customer Relations for Smith International, Inc. Mr. Smith has served as a director of Brigham Exploration Company, an independent oil and gas exploration and production company, since 2002 and is currently a member of the Brigham Exploration Company Audit Committee.</p>	1997

Each of the nominees named above was recommended to the Board by the Nominating Committee for election by the stockholders. Although all nominees named above have indicated their willingness to serve if elected, if at the time of the Annual Meeting any nominee is unable or unwilling to serve, shares represented by properly executed proxies will be voted at the discretion of the persons named in those proxies for such other person as the Board may designate.

PROPOSAL TWO

**TO AMEND HKN S RESTATED CERTIFICATE OF INCORPORATION TO REDUCE THE
AGGREGATE NUMBER OF AUTHORIZED SHARES TO TWENTY FIVE MILLION**

The Board of Directors has unanimously approved and recommended that the stockholders consider and approve an amendment to ARTICLE FOUR of HKN s Restated Certificate of Incorporation that would reduce the aggregate number of authorized shares from Three Hundred Thirty Five Million (335,000,000) shares to Twenty Five Million (25,000,000) shares and to designate Twenty Four Million (24,000,000) shares as Common Stock with a par value of One Cent (\$0.01) and One Million (1,000,000) shares as Preferred Stock with a par value of One Dollar (\$1.00). To be adopted, this proposal requires the affirmative vote of the holders of the majority of the outstanding shares of HKN s Common Stock entitled to vote thereon at the Annual Meeting. Lyford, which owns 31.62% of the shares entitled to vote at the Annual Meeting, has advised HKN that it intends to vote all of its shares for Proposal Two to reduce HKN s aggregate number of authorized shares. The Board of Directors believes that it is in the best interest of HKN and its stockholders to amend the Restated Certificate of Incorporation to give effect to the proposed amendment.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR
THE AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION TO REDUCE THE
AGGREGATE NUMBER OF AUTHORIZED SHARES**

The Board of Directors considers the proposed reduction in aggregate authorized shares desirable to conform HKN s capital structure to the reverse stock split consummated by HKN in 2007.

If approved by the shareholders, the amendment to the aggregate authorized shares of capital stock of HKN will be effected by the filing of an amendment to the Restated Certificate of Incorporation with the Secretary of the State of Delaware at the earliest possible time after stockholder approval. The reduction of the aggregate authorized shares will be accomplished by amending ARTICLE FOUR of the Restated Certificate of Incorporation to read substantially as follows:

ARTICLE FOUR

The aggregate number of shares that the Corporation shall have authority to issue is Twenty Five Million (25,000,000), of which Twenty Four Million (24,000,000) shall be designated as Common Stock of the par value of One Cent (\$0.01) per share and One Million

(1,000,000) shall be designated as Preferred Stock of the par value of One Dollar (\$1.00) per share.

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

Hein & Associates LLP, Certified Public Accountants and Advisors (Hein), served as HKN's independent registered public accounting firm for the years ended December 31, 2006 and 2007, and has been selected as the independent registered public accounting firm for 2008.

The following table sets forth information concerning the fees billed by HKN's independent registered public accountants during the last two fiscal years.

	2007		2006	
	Hein & Associates		Hein & Associates	
Audit Fees	\$	238,415	\$	276,000
Audit Related Fees		0		0
Tax Fees		0		0
All Other Fees		0		0

Audit Fees include fees billed for the audit of the consolidated financial statements, quarterly reviews of unaudited financial statements. The Audit Fees billed by Hein for 2006 and 2007 also include fees for the internal control audit included in the Form 10-K for the years ended December 31, 2006 and 2007.

The Audit Committee, or a designated member thereof, pre-approves audit and non-audit services rendered by its independent registered public accounting firm to HKN and its subsidiaries. If pre-approval authority is delegated, the delegate must report back to the Audit Committee at the first Audit Committee meeting following any approval. For fiscal 2007, 100% of all audit and non-audit services were pre-approved by the Audit Committee, which concluded that the provision of such services by HKN's independent registered public accounting firm was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. All persons involved in the services performed by Hein during 2007 were permanent, full-time employees of Hein.

Representatives of Hein are not expected to be present at the Annual Meeting, and are not expected to make a statement or be available to respond to questions.

ANNUAL MEETING ADVANCE NOTICE REQUIREMENTS

Stockholder Proposals

HKN's bylaws provide that stockholder proposals and director nominations by stockholders may be made in compliance with certain ownership, advance notice, informational and other applicable requirements. With respect to stockholder proposals (concerning matters other than the nomination of directors), the individual submitting the proposal must file a written notice with the Corporate Secretary of HKN at 180 State Street, Suite 200, Southlake, Texas 76092 setting forth certain information, including the following:

- a brief description of the business desired to be brought before the meeting and the reasons for conducting that business at the meeting;
- the name and address of the proposing stockholder;
- the number of shares of Common Stock beneficially owned by the proposing stockholder;
- the length of time such shares of Common Stock have been beneficially owned by the proposing stockholder;
and
- any material interest of the proposing stockholder in such business.

The notice must be delivered to the Corporate Secretary (a) at least 60, but no more than 90, days before any scheduled meeting or (b) if less than 70 days' notice or prior public disclosure of the meeting is given, by the close of business on the 10th day following the giving of notice or the date public disclosure was made, whichever is earlier. Any such recommendation received by the Secretary of HKN will be presented to the Nominating Committee for consideration, based upon the criteria and process described in Corporate Governance and Nominating Committee .

Board Nominations

A stockholder may recommend a nominee to become a director of HKN by giving the Secretary of HKN (at the address set forth above) a written notice setting forth the following information concerning each person the stockholder proposes to nominate (a Proposed Nominee):

- The name, age, business address and residence of the Proposed Nominee;
- The principal occupation or employment of the Proposed Nominee;
- The number of shares of Common Stock beneficially owned by the Proposed Nominee; and
- Any other information relating to the Proposed Nominee that is required to be disclosed in solicitations for proxies for election of directors pursuant to the rules of the SEC.

The stockholder's notice must also contain the following information concerning the proposing stockholder:

- The name and record address of the proposing stockholder;
- The number of shares of Common Stock beneficially owned by the proposing stockholder; and
- The length of time such shares of Common Stock have been beneficially owned by the proposing stockholder

Such nominations must be made pursuant to the same advance notice requirements, including deadlines for receipt, for stockholder proposals set forth above. In addition, any such recommendation must be accompanied by a written statement from the individual of his or her consent to be named as a candidate and, if nominated and elected, to serve as a director.

General Information

HKN's annual meetings are held each year at a time and place designated by HKN's Board of Directors in the notice of the meeting. Copies of HKN's bylaws are available upon written request made to the Secretary of HKN at the above address. The requirements described above do not supersede the requirements or conditions established by the SEC for stockholder proposals to be included in HKN's proxy materials for a meeting of stockholders. The chairman of the meeting may refuse to bring before a meeting any business not brought in compliance with applicable law and HKN's bylaws.

STOCKHOLDER PROPOSALS FOR 2008 ANNUAL MEETING

Under the SEC's proxy rules, stockholder proposals that meet certain conditions may be included in HKN's proxy statement and form of proxy for a particular annual meeting. Stockholders that intend to present a proposal at HKN's 2009 Annual Meeting of Stockholders must send the proposal to HKN so that it is received at HKN's principal executive offices no later than December 22, 2008 to be considered for inclusion in the proxy statement and form of proxy related to the 2008 Annual Meeting of Stockholders. If HKN chooses to accelerate the date of its 2007 Annual Meeting, the deadline for receipt of stockholder proposals to be considered for inclusion in HKN's proxy materials will change and HKN will notify stockholders of the changed deadline in a Quarterly Report on Form 10-Q, Current Report on Form 8-K or press release. Stockholders that have an intention to present a proposal that will not be included in the proxy statement and the form of proxy must give notice to HKN by the deadline set forth under "Annual Meeting Advance Notice Requirements - Stockholder Proposals" above. Any and all such proposals and notices should be sent to the attention of the Secretary of HKN. Any and all such proposals must comply with applicable Securities and Exchange Commission regulations in order to be included in HKN's proxy materials or to be presented at the Annual Meeting.

OTHER INFORMATION

HKN will provide to each person solicited, without charge except for exhibits, upon request in writing, additional copies of HKN's Annual Report on Form 10-K for the year ended December 31, 2007. Requests should be directed to the Secretary of HKN, Inc., 180 State Street, Suite 200, Southlake, Texas 76092, (817) 424-2424. HKN's Annual Report on Form 10-K is also on file with the Securities and Exchange Commission, Washington, D.C. 20549.

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as "householding", potentially provides extra convenience for shareholders and cost savings for HKN. Under this procedure, multiple shareholders who share the same last name and address will receive only one copy of the annual proxy materials, unless they notify HKN that they wish to continue receiving multiple copies. HKN has undertaken householding to reduce its printing costs and postage fees. If shareholders wish to opt-out of householding and continue to receive multiple copies of the proxy materials at the same address, a shareholder may do so at any time prior to thirty days before the mailing of proxy materials, which will typically be mailed in April of each year, by notifying HKN in writing at 180 State Street, Suite 200, Southlake, TX 76092 or by contacting HKN at 817-424-2424. Shareholders also may request additional copies of the proxy materials by notifying HKN in writing at the above-referenced address or contacting HKN at the above-referenced telephone number, and HKN will undertake to deliver such additional copies promptly.

By Order of the Board of Directors

/s/ Elmer A. Johnston
Elmer A. Johnston
Secretary

Southlake, Texas

May 8, 2008

HKN, Inc.

180 State Street

Suite 200

Southlake, Texas 76092

VOTE BY INTERNET - 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 on June 23, 2008. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS

If you would like to reduce the costs incurred by HKN, Inc. in mailing proxy materials, you can consent to receiving 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 shareholder communications 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 June 23, 2008. Have your proxy card in hand when you call and then 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 HKN, Inc., 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.

HKN, Inc.

THE BOARD OF DIRECTORS RECOMMEND A VOTE FOR PROPOSALS ONE AND TWO.

		For All	Withhold All	For All Except
PROPOSAL ONE: To elect five directors to serve until the next annual meeting of stockholders, or until their successors are duly elected and qualified.				
Nominees:	01) Michael M. Ameen, Jr.	0	0	0
	02) Mikel D. Faulkner			
	03) Dr. J. William Petty			
	04) Alan G. Quasha			
	05) H. A. Smith			

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

		For	Against	Abstain
PROPOSAL TWO: To amend HKN's Restated Certificate of Incorporation to reduce the aggregate number of authorized shares.		0	0	0

NOTE: PLEASE SIGN EXACTLY AS NAME APPEARS HEREON. JOINT OWNERS SHOULD EACH SIGN. WHEN SIGNING AS ATTORNEY, EXECUTOR, ADMINISTRATOR, TRUSTEE OR GUARDIAN, PLEASE GIVE FULL TITLE AS SUCH.

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date



HKN, INC.

PROXY SOLICITED BY THE BOARD OF DIRECTORS

FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD JUNE 24, 2008

The stockholder named on the reverse side (Stockholder) hereby (1) acknowledges receipt of the Notice of Annual Meeting of Stockholders of HKN, Inc. (HKN) to be held June 24, 2008, and (2) constitutes and appoints Elmer Johnston and Lola Richert, and each of them, attorneys and proxies of the undersigned, with full power of substitution to each, for and in the name, place, and stead of the undersigned, to vote, and to act in accordance with the instructions set forth on the reverse side, with respect to all of the shares of Common Stock of HKN standing in the name of the Stockholder, or with respect to which the Stockholder is entitled to vote and act at that meeting and at any meetings to which that meeting is adjourned. In their discretion, the proxies may vote upon such other matters as may properly come before the meeting.

You are encouraged to specify your choices by marking the appropriate boxes, but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations. This Proxy will be voted as specified. **If no specification is made, this Proxy will be voted FOR ALL PROPOSALS.** The shares cannot be voted unless you sign and return this card.
